AR91

# UNLOCKING
# THE POTENTIAL

Annual Report 2010

TRICAN
WELL SERVICE LTD.

## CORPORATE PROFILE

Trican is an international pressure pumping company operating in Canada, the United States, Russia, Kazakhstan and Northern Africa. Headquartered in Calgary, Alberta, Trican is a technical leader in each of the service lines it offers its customers involved in the exploration and development of oil and natural gas reserves.

Trican became a public company in 1996 and, since then, has invested more than $1.5 billion in capital expenditures and acquisitions expanding its equipment, infrastructure and capabilities. As a result of its strategic expansion program, Trican has evolved from a regional supplier of cementing services to one of the world's largest pressure pumping companies.

With a highly trained and competent work force and a recognized commitment to research and development, Trican's expertise and experience in pressure pumping are ranked among the most extensive in the industry. Services provided include fracturing, cementing, coiled tubing, nitrogen, acidizing, reservoir characterization, microseismic, industrial cleaning and pipeline services. Trican's shares trade on The Toronto Stock Exchange under the symbol "TCW".

## NOTICE OF ANNUAL MEETING

Trican is pleased to invite its shareholders and other interested parties to the Company's Annual Meeting at 2 p.m. on May 10, 2011, in the Metropolitan Centre, 333 - 4th Avenue SW, Calgary, Alberta, Canada.

## ANNUAL FINANCIAL STATEMENTS AND MD&A

For further information on Trican's 2010 financial results, please refer to Trican's Financial Statements and Management's Discussion and Analysis (MD&A) for the years ended December 31, 2010 and 2009 available on SEDAR at www.sedar.com or our website at www.trican.ca.

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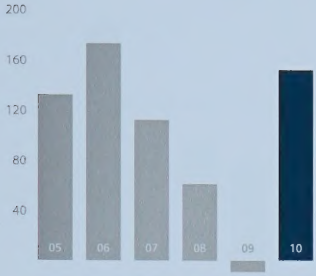
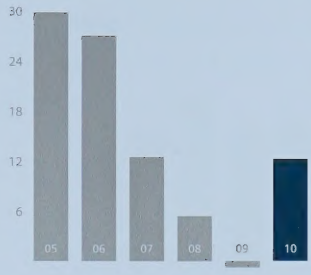
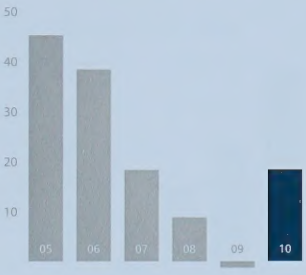



**Net Income** ($ millions)




**Return on Assets** (%)



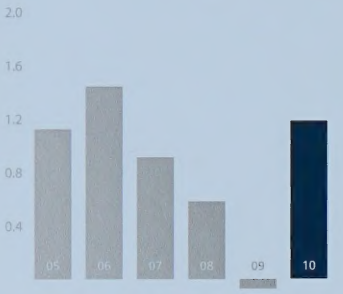

**Return on Equity** (%)

## FINANCIAL SUMMARY ($ thousands, except per share amounts and operational information)

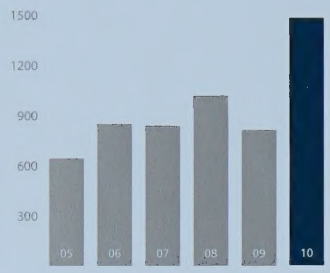
| | 2010 | 2009 | Change | % Change |
|---|---|---|---|---|
| Revenue | **1,478,293** | 811,488 | 666,805 | 82% |
| Net income/(loss) | **151,617** | (8,513) | 160,130 | 1,881% |
| Adjusted net income/(loss) | **163,277** | (8,104) | 171,381 | 2,115% |
| Adjusted earnings per share: | | | | |
| (Basic) | **$ 1.18** | $ (0.07) | $ 1.25 | 1,786% |
| (Diluted) | **$ 1.18** | $ (0.07) | $ 1.25 | 1,786% |
| Funds provided by operations | **331,713** | 38,819 | 292,894 | 755% |
| Capital expenditures | **278,802** | 45,867 | 232,935 | 508% |
| Long-term debt (excluding current portion) | **99,460** | 174,660 | (75,200) | -43% |
| Shareholders' equity | **1,008,665** | 647,193 | 361,472 | 56% |
| Average shares outstanding – Basic | **137,400** | 125,616 | 11,784 | 9% |
| Average shares outstanding – Diluted | **138,571** | 125,616 | 12,955 | 10% |
| Shares outstanding at year end | **143,637** | 125,639 | 17,998 | 14% |

## OPERATIONAL INFORMATION (unaudited)

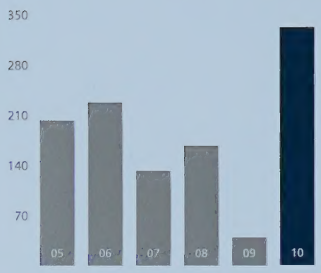
| | | | | |
|---|---|---|---|---|
| Canadian operations | | | | |
| Number of jobs completed | **21,931** | 16,262 | 5,669 | 35% |
| Revenue-per-job | **38,733** | 25,153 | 13,580 | 54% |
| United States operations | | | | |
| Number of jobs completed | **3,130** | 1,825 | 1,305 | 72% |
| Revenue-per-job | **115,470** | 86,416 | 29,054 | 34% |
| Russian operations | | | | |
| Number of jobs completed | **4,510** | 3,781 | 729 | 19% |
| Revenue-per-job | **56,206** | 61,090 | (4,884) | -8% |




**Earnings per Share** ($)




**Revenue** ($ millions)




**Funds from Operations** ($ millions)

## MESSAGE FROM OUR CEO

**Dale M. Dusterhoft** – Chief Executive Officer

On behalf of the employees and Board of Directors of Trican Well Service Ltd., it is my pleasure to report on our Company's 2010 financial and operational results. The decisions we made during the 2009 downturn positioned us well to take advantage of the economic recovery in 2010 and enabled us to respond to the resurgence of activity in the oil and gas industry throughout our operating regions. We maintained our leadership position in Canada, expanded our operations in the United States and solidified our market position in Russia. We expanded our presence within Africa and the Middle East by signing a joint venture agreement in Saudi Arabia and maintaining our presence in Algeria. The strong 2010 operating environment allowed us to take full advantage of our diverse asset base, including the technical innovations introduced last year. Our Burst Port System™ (BPS™) met with widespread acceptance with customers, and SRVmax® contributed to the utilization of our microseismic and reservoir characterization services, among others. Our strength is attributable to our employees, suppliers, partners, customers and investors, and I would like to thank each of you for helping make 2010 one of the best years in the history of our Company.

## UNLOCKING THE POTENTIAL

2010 was a year of expansion for Trican, particularly in North America, and resulted in record revenues for the Company worldwide. As the oil and gas industry began to emerge from the 2009 global economic recession, Trican's services were called upon to help unlock the potential of unconventional reservoirs in Canada and the US, and oil and gas reserves in many locations around the world.

The increase in horizontal wells in North America over the past few years has changed the nature of our industry; fewer wells are required to increase oil and gas production but a growing number of fracture treatments per well are required to do so effectively and economically. Horizontal drilling activity and the number of fractures per well continued to increase in 2010 and resulted in high demand for North American pressure pumping services. In addition, the size of the fracturing treatments continues to grow, leading to higher revenue-per-job. Our North American operations benefitted from these trends as evidenced by the strong 2010 operating results for our Canadian and US regions.

Given the strength in the price of oil and the favourable economics of liquids-rich gas plays, the industry trended in favour of oil and liquids-rich gas development in 2010. Development of these plays kept overall industry activity levels strong and led to increased year-over-year well count in Canada and the US, which resulted in increased demand for our services. We also saw our customers continue to increase the number of oil and liquids-rich gas reservoirs that are unlocked using horizontal fracturing technology. The shift towards oil and liquids-rich gas work results in lower revenue-per-job as job sizes are traditionally smaller. The lower revenue-per-job is typically offset by more jobs per day, resulting in similar profitability for oil and natural gas directed work.

Trican has revised and standardized the Company's safety processes and manual in order to ensure that industry best practices relating to health, safety and protection of the environment are applied and utilized consistently throughout all geographic regions in which we operate.

Technology continued to be a key differentiator for Trican as we developed products, processes and tools that proved beneficial to our customers. Across North America, producers are expanding their exploration into new basins and testing horizontal completion technology on both new and old reservoirs. Trican developed processes to help customers achieve their best results in a cost effective manner through the optimization of well and fracture placement and fracture size. Trican also supported producers by developing new fluid technology and chemistry. These higher margin specialty fluid systems improve treatment performance and, in many cases, reduce the impact of operations on the environment.

Trican also moved into new regions in 2010. In March, Trican purchased the assets of a private US-based company located in Oklahoma. In late 2010, Trican began operations with one fracturing crew in the Marcellus region of Pennsylvania with a second crew to be added in 2011. Both crews are part of long-term, minimum commitment contracts with major North American producers. Trican plans to enter the Eagle Ford basin in Texas under the terms of a similar long-term contract during the second quarter of 2011. To support these expansion activities in the US, we will move our US Regional Office to Houston in 2011, bringing us closer to many of our key US customers.

Trican's 2010 capital budget totalled approximately $370 million globally and included significant additions to our fracturing fleet as well as increases to our cementing, coiled tubing and acidizing fleets. Trican believes that our aggressive equipment and facilities expenditures position us well for revenue growth in 2011 as we respond to the robust pressure pumping activity occurring in North America.

Trican's people delivered the responsiveness and service our customers have come to value and provided customized products and targeted solutions to address the needs of specific markets in each of our geographic regions. Trican received industry and third-party accolades recognizing us as a top employer and naming us Supplier of the Year in Canada. In addition, many new employees were welcomed into the Trican family in 2010. Overall, Trican had a very successful year and looks forward to building this momentum throughout 2011 and beyond.

**Dale M. Dusterhoft** – Chief Executive Officer
February 28, 2011

## OPERATIONS BY GEOGRAPHIC REGION

Trican Well Service is headquartered in Calgary, Alberta, Canada, and operates in Canada, the United States, Russia, Kazakhstan, and Algeria. The Canadian operations provide services to customers across the entire Western Canadian Sedimentary Basin ("WCSB"). Trican's US operations are run from bases in Texas, Arkansas, Oklahoma, and Pennsylvania. In Russia and Kazakhstan, Trican conducts operations through bases in western and eastern Siberia, and in Kyzylorda and Aktau, Kazakhstan. Trican's base in Algeria is in Hassi Messaoud.

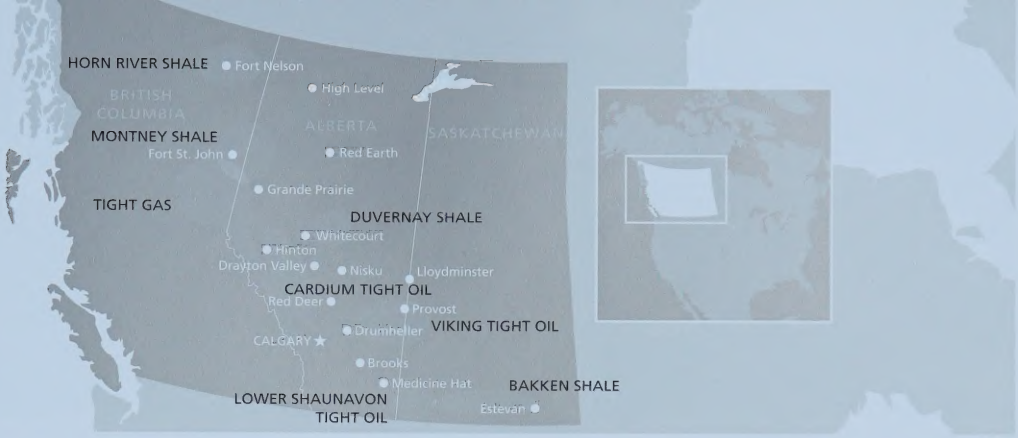
### CANADA

In Canada, Trican provides pressure pumping services to exploration and production companies, as well as industrial cleaning and pipeline services to midstream companies. Trican operates in all the key Canadian oil and gas plays from 16 bases in western Canada and offers fracturing, cementing, deep coiled tubing, coalbed methane ("CBM"), nitrogen, acidizing, geological/engineering, microseismic fracture mapping, reservoir characterization and industrial services.

The turning point for activity levels in the Canadian market came in late 2009 and more favourable conditions continued in 2010, as the economy responded to increased optimism that the global recession had hit bottom and was showing initial signs of improvement. Oil prices recovered in 2010 from lows hit in early 2009 as the WTI ("West Texas Intermediate") oil price in 2010 averaged 18 percent higher in Canadian dollar terms than in 2009. Canadian industry activity was also supported by revisions to the Alberta royalty structure announced in March 2010, which reversed a substantial portion of the higher royalty rates put through in September 2007 by the Alberta Government. Overall, the average number of active drilling rigs in Canada rose 57 percent in 2010 compared to 2009, led largely by oil and liquids-rich gas directed activity. Liquids-rich gas includes hydrocarbons (primarily ethane, propane and butane) that are produced with the gas and provide additional marketable product for the producer.

Drilling patterns in the past year have favoured oil development, largely due to the lower price of natural gas and comparatively strong price of oil. In the WCSB, oil wells accounted for 57 percent of the wells drilled in 2010 as compared to 46 percent in 2009. This trend is expected to continue in 2011 due to strong oil prices and the expectation of relatively weaker natural gas prices. In addition, we expect an increase in liquids-rich gas directed activity due to the favourable economics of these plays. Because of the trend towards producing more oil and liquids-rich gas reservoirs, Canadian operations' revenue is no longer as reliant upon the price of natural gas as it has been in recent years. Although fracturing treatments performed on horizontal oil wells require less horsepower than comparable jobs on horizontal natural gas wells, the utilization and margins are typically higher for oil-directed fracturing work due to the specialty fluid systems required and increased jobs-per-day.

The total number of wells drilled in Canada during 2010 was nearly 12,200, representing a 45 percent improvement from the 8,406 drilled in 2009, which was an 11-year low. While the number of wells drilled increased by 45 percent, Trican's Canadian revenues for the year increased by 106 percent. We continue to benefit from the growth in horizontal drilling, as the number of horizontal wells as a percentage of total wells drilled in Canada increased from approximately 30 percent in 2009 to approximately 42 percent in 2010. Furthermore, revenue from horizontal wells represented approximately 67 percent of total Canadian revenues in 2010, while the 2009 comparative figure was 40 percent. The increase in horizontal drilling in Canada had a positive impact on our fracturing service line in particular. Producers can extract the same amount of resource from fewer horizontal wells drilled relative to conventional vertical wells by increasing the number of fracturing treatments performed per horizontal well. The number of fracture treatments now performed on a horizontal well ranges from 10 to 30 versus 2 to 3 for a conventional well. In addition to an increase in the number of fracturing treatments on unconventional reservoirs, the size of the treatments is often




much larger than conventional treatments. Larger treatments require larger fracturing crews and the use of significantly higher fracturing horsepower ("HP") per crew, which drives higher revenue-per-job. Fracturing revenue-per-job has increased substantially in Canada over the past two years; 2010 fracturing revenue-per-job was 42 percent higher compared to 2009 and 78 percent higher compared to 2008. Equipment utilization rates also tend to improve with horizontal wells because the equipment remains on the same well until all fracturing treatments are completed.

Our coiled tubing service line is also significantly impacted by the prevalence of horizontal wells. Coiled tubing is often used to convey the fracturing treatment and is also utilized to clean out the well before and after the fracturing treatment, to lift fluid from the wellbore and to drill out plugs and other tools that are left in the well following the completion of the fracturing treatments or other applications.

The high activity levels experienced in 2010 resulted in strong demand for equipment, which allowed us to significantly improve pricing relative to 2009. The meaningful increase in pricing combined with higher equipment utilization and cost control resulted in Trican more than doubling operating income as a percentage of revenue, from 14.8 percent in 2009 to 32.6 percent in 2010. First quarter results were strong and reflected a rise in industry activity brought on by increased horizontal drilling and commodity price improvement. The second quarter of 2010 saw record operating income, both in total dollars and as a percentage of revenue, supported by strong activity levels in the Horn River and Montney plays. High equipment utilization in these areas helped a traditionally weak quarter as spring break-up typically hampers activity with road weight restrictions in place. The third and fourth quarters were also supported by strong activity in these unconventional plays as well as in the light oil basins.

Given current commitments and projected demand, the pressure pumping industry continues to add new equipment to the Canadian market. Most of the recently announced capital additions across the Canadian pressure pumping industry are expected to reach the market during the second half of 2011. We believe the demand is sufficient and that the market will absorb the additional capacity, primarily as a result of the increasing horsepower requirements from horizontal drilling and oil and liquids-rich gas activity.

Trican's Canadian 2011 capital program includes $123 million in expansion capital and $37 million in infrastructure and maintenance capital. The expansion capital includes the addition of 62,550 HP of fracturing capacity, six nitrogen pumpers, five twin cement pumpers and two acid pumpers. The expansion capital is required to support expected customer demand in the WCSB, particularly in oil and liquids-rich gas plays. The additional horsepower will be specifically designed for use in unconventional oil and gas plays and will increase the Canadian operations horsepower capacity to approximately 321,250 HP by year end 2011. As producers continue to invest in unconventional plays and drill the more technical horizontal wells, Trican continues to invest in technology to support them, unlocking the real potential of these reservoirs.

2010 saw widespread customer acceptance of Trican's innovative technologies. Trican's **SRVmax®** integrates a number of tools and processes to help customers choose the most advantageous

**Photo caption:** Large scale fracturing operation

wellbore spacing, fracture spacing and fracture design to optimize the resource recovery from their reservoir. Trican's patent-pending **Burst Port System™ (BPS™)** also saw significant adoption as customers were able to reduce the cost and time to complete their horizontal wellbores and bring their fractures closer together than any other method available. This system utilizes Trican's **Cup to Cup (C2C™)** fracturing tool, another patent-pending innovation, and together they have proven successful in both oil and gas reservoirs with vertical depths under 1,200 metres and measured depths up to 2,500 metres. BPS is being utilized mainly in the Viking formation where reservoirs range from 750 to 850 metres total vertical depth (TVD) and reach lengths up to 2,500 metres. Trican is continuing to develop this technology to handle deeper and more challenging reservoirs and has recently completed wells in the Fish Scales, Glauconite and Sparky formations.

The growth trend in Canadian unconventional plays is expected to continue in 2011, particularly in those that are oil and liquids-rich. We are seeing producers successfully apply horizontal fracturing technology to a number of new reservoirs such as the Alberta Bakken and Duvernay oil plays, which should continue to increase the volume of fracturing jobs. We anticipate that 2011 will be a growth year for overall drilling activity and this, combined with the trend towards more horizontal wells, is expected to continue to improve operating and financial results for Trican.

NUMBER OF UNITS AT YEAR END (CANADA)

| | 2006 | 2007 | 2008 | 2009 | **2010[C]** | 2011[D] |
|---|---|---|---|---|---|---|
| Fracturing Crews[A] | | | | | | |
| Conventional | 18 | 18 | 18 | 18 | **18** | 18 |
| CBM[B] | 4 | 4 | 4 | 4 | **4** | 4 |
| HP | | 135,500 | 158,000 | 159,950 | **258,700** | 321,250 |
| Cement Pumpers | 57 | 54 | 49 | 52 | **48** | 53 |
| Deep Coiled Tubing Units | 22 | 18 | 16 | 16 | **19** | 17 |
| Shallow Coiled Tubing Units | 8 | 8 | 8 | 8 | **7** | 7 |
| Nitrogen Pumpers | 32 | 28 | 25 | 26 | **27** | 33 |
| Acidizing Units | 12 | 12 | 13 | 13 | **15** | 17 |

[A] A fracturing crew is made up of several pieces of specialized equipment

[B] Comprises principally high-rate nitrogen pumping units. These units pump at higher rates and pressures than the pumpers used in our other areas of business

[C] Operational or in the final stages of construction

[D] Expected equipment capacity at year end based on current budget expectations, which are subject to change

## UNITED STATES

Trican's US operations experienced tremendous growth in 2010 through the expansion of our operations into new areas, further diversification of our customer base and substantial additions to our pressure pumping capacity. Trican provides fracturing, cementing, acidizing, nitrogen and coiled tubing services in the United States through our operating bases in Texas (Longview and Springtown), Arkansas (Searcy), Oklahoma (Woodward and Shawnee) and Pennsylvania (Mill Hall). Trican currently operates within the majority of the major shale plays such as the Barnett Shale, the Woodford Shale, the Fayetteville Shale, the Haynesville Shale and the Marcellus Shale. Expansion into the Eagle Ford Shale is planned for second quarter 2011 and our US regional office will move to Houston, Texas in 2011.

As in Canada, the US saw a significant improvement in overall market conditions in 2010 compared with 2009. Factors contributing to the stronger activity levels include:

- an improvement in the overall economy, which resulted in an increase in gas activity levels and a substantial increase in oil activity. This gave rise to the resumption of drilling activity (active land rig count increased by 516 rigs, or 44 percent, to 1,694 at year end 2010 from 1,178 at year end 2009);
- the increase in horizontal drilling that continued throughout 2010 and required greater utilization of Trican's services; and
- obligations for producers to drill in order to meet leasehold retention requirements.

Our strategic decision in 2009 to preserve market share and maintain an operational presence in all our geographic regions allowed Trican's US operations to quickly respond to improved activity levels in 2010. The rebound in the US market and the resulting strong demand for pressure pumping services allowed Trican to increase our utilization and pricing to more favourable levels, which led to improved operating margins compared with 2009. Record revenue of US$350 million and operating income of US$65 million were attained in 2010. Significant margin improvement was also achieved in the first three quarters of 2010. However, operating margins reached a plateau in the fourth quarter as the fixed term nature of certain contracts did not allow for meaningful price increases in response to cost inflation for key inputs. Pricing was increased near the end of the fourth quarter for these contracts and, as a result, we expect operating margins to increase during the 2011 first quarter.

The strengthened market also provided us with the opportunity to expand within existing regions and grow into new regions of the United States in 2010. In March 2010, Trican reached an agreement to acquire the assets of a private US-based pressure pumping company for US$46 million, plus US$3.4 million in assumed debt. The assets, less than two years old, consisted of 56,250 HP of fracturing capacity and auxiliary equipment sufficient for the operation of two fracturing crews. In addition to the fracturing equipment, Trican also acquired two acidizing pumpers and an operating base in Shawnee, Oklahoma, servicing the Woodford Shale. The successful integration of the acquired assets and people allowed the Shawnee operating base to positively contribute to Trican's financial performance for the remaining three quarters of 2010.

Trican announced our expansion into the Marcellus Shale in July 2010 through a two-year minimum commitment contract with a major US customer operating in that region. Trican believes that the Marcellus will continue to experience robust activity levels during 2011, as it is a large, low cost reservoir situated close to the eastern US natural gas consuming market. In addition, the Marcellus region will provide us with an opportunity to implement our line of earth-friendly fracturing fluid systems – EcoClean® – in many of the environmentally-sensitive areas of this basin.

We continued to invest in our cementing service line in 2010 by adding two additional twin cement pumpers to our operations in East Texas and the Haynesville Shale. We expect demand for cementing services to continue to grow in 2011 as a result of an increase in the number of active land-based drilling rigs. Trican is well positioned to take advantage of this opportunity with our custom-designed equipment and specialty cement blends, which have been specifically formulated

for unconventional wells in both warmer and colder climates. Our US customers have recognized Trican's capabilities in providing high-quality cementing services, as evidenced by a 161 percent increase in the number of jobs completed in 2010 versus 2009, including successful cementing in technically and operationally challenging plays such as the Haynesville Shale.

Trican's expansion into the Eagle Ford Shale will be facilitated by an additional minimum commitment contract negotiated late in 2010 and signed in early 2011. Trican will commit 40,000 HP in the Eagle Ford under a minimum commitment two-year contract with a major US customer operating in this region. Trican views the Eagle Ford Shale as a strategic play due to the liquids-rich gas it produces. Trican believes that activity in this region will remain robust even if natural gas prices remain low. Operations are expected to commence during the second quarter of 2011 from our new operating base in Mathis, Texas. A second minimum commitment contract negotiated late in 2010 and signed in early 2011 will result in further expansion of our Marcellus operations by adding a second crew to this region under a two-year minimum commitment agreement with another major US customer. Our second fracturing crew in the Marcellus is expected to commence operations in mid 2011.

Late in 2010, the decision was made to transition our US regional office from Denton, Texas to Houston, Texas. The relocation of our regional head office will allow Trican to better service our growing US customer base, most of whom are located in the Houston area. This transition will also allow Trican to better showcase our innovative well servicing technology to new and existing customers, many of whom also have either regional or head offices in the Houston area.

As natural gas prices remained low in 2010, producers in the US increased their operations in oil and liquids-rich gas plays, increasing overall demand and providing more opportunities for Trican's services. The outlook for 2011 continues on a positive trend. We expect to see strong demand for our services in 2011 due to the continued strength of oil and liquids-rich gas activity, enhanced liquidity of several large shale gas producers from joint venture activity and our strong contract position in dry gas plays such as the Haynesville, Barnett and Marcellus. We believe the strong customer demand we are currently experiencing in the US market and the willingness of customers to enter into multi-year service agreements supports our aggressive 2011 capital budget, which includes further increases in fracturing horsepower, coiled tubing services, cementing operations and geographic expansion into existing and emerging unconventional resource plays.

All indications suggest that industry activity will remain robust during 2011 with 67 percent of Trican's current US fracturing capacity and 55 percent of the expected capacity at the end of 2011 committed to long-term contracts. We expect pricing and financial performance to continue to improve in the first half of 2011 as we experience the full benefit of contracts negotiated in 2010, combined with strong customer demand on the spot market; however, we anticipate pricing and margin increases to moderate in the latter half of 2011

as new fracturing capacity enters the market and supply-and-demand for pressure pumping becomes more balanced.

The US operations' 2011 capital budget totals $305 million, comprised of $255 million in expansion capital and $50 million in infrastructure and maintenance capital. By growing our fleet and expanding our bases and service offerings, the US operations are well-positioned to meet customer demand in these dynamic markets. In 2011, we expect to add 205,000 fracturing horsepower specifically designed for unconventional oil and gas plays, which will result in total US fracturing capacity of approximately 569,500 HP at year end 2011. In addition to the growth in fracturing capacity, ten twin cement pumpers are expected to be added to our current fleet of four pumpers and two deep coiled tubing units are anticipated to be operational in early 2011. Trican also offers nitrogen and acidizing services as part of our strategic goal of becoming a full service pressure pumping provider to our US customers. Trican's aggressive growth plans strategically position our US operations to take advantage of these opportunities in 2011.

NUMBER OF UNITS AT YEAR END (US)

| | 2007 | 2008 | 2009 | **2010**[B] | 2011[C] |
|---|---|---|---|---|---|
| Fracturing Crews[A] | 10 | 8 | 8 | **10** | 14 |
| HP[D] | 173,250 | 211,500 | 211,500 | **364,500** | 569,500 |
| Cement Pumpers | – | 2 | 2 | **5** | 15 |
| Nitrogen Pumpers | – | 4 | 4 | **7** | 15 |
| Acidizing Units | – | 1 | 2 | **4** | 8 |
| Coiled Tubing Units | – | – | – | **–** | 8 |

[A] A fracturing crew is made up of several pieces of specialized equipment

[B] Operational or in the final stages of construction

[C] Expected equipment capacity at year end based on approved budgets, which are subject to change

[D] Prior years adjusted to reflect brake HP to be consistent with other regions

## RUSSIA AND KAZAKHSTAN

Trican Well Service LLC began operating in Russia in 2000 and has grown into one of the country's leading fracturing companies. Trican's services in Russia (which include our operations in Kazakhstan) also include cementing, coiled tubing, acidizing and nitrogen. Russian operations are based predominantly in the Tyumen Region of western Siberia but also extend into the Arctic North of the eastern Siberian region of Vankor, as well as into Kazakhstan. Trican Russia services these regions from its bases in Nefteyugansk, Raduzhny, Nyagan, Gubkinsky, Novy Urengoy, and the Vankor Oilfield, Russia, as well as Kyzylorda and Aktau in Kazakhstan. Trican's Regional Offices are located in Nizhnevartovsk, Russia and in Kyzylorda, Kazakhstan.

Trican Russia services primarily oil wells; consequently, our operations in this region are highly influenced by the price of oil. During 2010, WTI crude prices were 18 percent higher compared to 2009. The region was also influenced by the economic recovery in Europe as well as other markets for Russian oil and gas. The overall industry optimism was evident during the contract tendering process for 2010 and Trican Russia was successful in winning the majority of the tenders in which we participated, including working with seven of Russia's top ten oil companies and its two largest gas companies. Strong oil prices and recovering markets contributed to increased activity levels for Trican as well as a nine percent increase in revenue over 2009. Our Russian operations benefited as well from a stable ruble in 2010, though lower than historical levels.

Even with the increase in activity and a stable currency, Trican's operating results in Russia were negatively impacted by significant margin contraction from cost inflation as Russia experienced a six percent rate of inflation in 2010. However, the pressure pumping segment experienced far higher inflation as strong demand from North America for key inputs, such as proppant, used in fracturing operations drove double digit cost increases. Sharply increasing North American proppant demand was partially met by Russian suppliers diverting supplies from Russia causing an increase in proppant prices in both Russia and Kazakhstan.

Russian contracts are awarded following an intensive bidding process from November to January of each year. The term of most of the contracts is one year and as a result, service companies are not able to increase pricing during the term of the contract. As a result, Trican Russia was unable to increase prices for its services to match the cost inflation experienced during 2010.

Trican Russia's 2010 capital budget totalled $36 million, comprised of $30 million in expansion capital and $6 million in infrastructure and maintenance capital. The expansion capital included a sixth coiled tubing fleet, which was focused on the higher technology coiled tubing market in eastern Siberia, and two additional fracturing fleets, which were directed towards expanding our market share with key customers. These two fracturing fleets were purchased at a price below replacement cost and increased our fracturing horsepower in Russia to approximately 101,650 HP.

Based on the work awarded during the 2011 contract tendering season, Trican expects activity levels in Russia to increase by approximately seven percent relative to the activity levels experienced in 2010. This increase is largely due to the continued strength in oil prices.

Overall bidding for the 2011 contracts was very aggressive with a number of competitors attempting to gain market share. Despite this challenging bidding environment, Trican Russia continues to maintain its diversified customer portfolio and a leading position in the Russian fracturing market. In addition, we were able to improve our pricing by eight percent, which is expected to assist in offsetting the cost of inflation being experienced in the Russian market. However, 2011 margins are not expected to strengthen relative to 2010 as inflation continues to be an issue. Our focus for 2011 will be on optimizing the cost structure of Trican Russia, leveraging our technology and maintaining our superior level of customer service in the Russian market. Many of Trican's customers in Russia are implementing our latest technology, such as the IsoJet™ method of selectively stimulating multiple zones, to develop their reservoirs

to their full potential. Trican's IsoJet™ technology helps improve well productivity, while reducing the time to complete the operation.

Trican believes in the long term potential of the Russian market as this region contains significant oil and gas reserves throughout largely unexplored and undeveloped territory. Russian producers of oil and gas have a ready market and the region is the primary supplier of energy to Europe. Activity levels are expected to continue to grow in Russia and Kazakhstan in order to meet the demand of the European continent emerging from the global economic recession. Trican's services will be required to optimize production from Russian resource basins as producers move to more technically challenging reservoirs. We are committed to maintaining a leadership position within the Russian pressure pumping market and will invest in the people and technology to ensure we maximize the potential of this geographic region.

NUMBER OF UNITS AT YEAR END (RUSSIA)

| | 2006 | 2007 | 2008 | 2009 | **2010**[B] | 2011[C] |
|---|---|---|---|---|---|---|
| Fracturing Crews[A] | | | | | | |
| Conventional | 8 | 11 | 11 | 13 | **15** | 15 |
| HP | 56,800 | 79,150 | 79,150 | 88,150 | **101,650** | 109,150 |
| Cement Pumpers | 3 | 6 | 6 | 6 | **6** | 6 |
| Deep Coiled Tubing Units | – | 3 | 5 | 5 | **6** | 6 |
| Nitrogen Pumpers | – | 4 | 9 | 10 | **10** | 11 |

[A] A fracturing crew is made up of several pieces of specialized equipment

[B] Operational or in the final stages of construction

[C] Expected equipment capacity at year end based on approved budgets, which are subject to change

## AFRICA AND THE MIDDLE EAST

Trican began operations in Algeria in 2007, establishing a base in Hassi Messaoud. Trican offers coiled tubing, cementing and nitrogen services to Algeria's largest state-owned oil company, Sonatrach, as well as other international operating companies that are in partnership with Sonatrach. In 2010, Sonatrach underwent internal reorganization, which delayed production activities and led to low utilization of our equipment. Algeria also introduced new regulations limiting foreign investment into the country, which further affected Trican's operations by reducing overall activity levels in the region. These issues continue to create a difficult administrative environment and are delaying tenders. We expect activity levels to increase later in 2011 as these administrative issues are resolved.

During the year, Trican entered into a joint venture agreement with a partner in Saudi Arabia. The Saudi Arabian venture is in the early stage of development as we established our technical qualifications with Saudi Aramco and a sales and marketing presence in the country. We expect to participate in work tenders once we become technically qualified with Saudi Aramco and we expect this qualification to occur during the first half of 2011.

The North African and Middle East markets possess significant oil and gas reserves and the infrastructure to deliver its production to the worldwide market. Trican is of the opinion that as oil and gas producing regions around the world move to a lower quality of rock, an increasing amount of stimulation services will be required to yield meaningful levels of oil and gas production. As a result, we believe in the long-term potential for the pressure pumping industry in these markets.

NUMBER OF UNITS AT YEAR END (ALGERIA)

| | 2007 | 2008 | 2009 | **2010**[A] | 2011[B] |
|---|---|---|---|---|---|
| Deep Coiled Tubing Units | 1 | 1 | 2 | **2** | 2 |
| Nitrogen Pumpers | 1 | 1 | 2 | **2** | 2 |
| Acidizing Units | 1 | 1 | 2 | **2** | 2 |
| Cementing Units | – | – | – | **3** | 3 |

[A] Operational or in the final stages of construction

[B] Expected equipment capacity at year end based on approved budgets, which are subject to change

# Trican's technology has been unlocking the potential of conventional and unconventional oil and gas reservoirs for more than 15 years.

## TECHNOLOGY

Innovation and technology are key driving forces behind Trican's success. By understanding our industry and listening to customer needs, we've been able to develop technical solutions to help customers be more successful. Trican is able to respond quickly and effectively to specific operational needs and geographic conditions by developing and implementing the right products, tools and procedures.

Trican's 18,000 square foot Research and Development Centre in Calgary, Alberta, houses both our laboratory and coiled tubing tool research groups. Technical development is supported by local laboratories in Russia and the US. Trican's R&D Centre released 25 new products in 2010, all designed to either increase our customers' oil or gas production or to reduce their operating costs and, wherever possible, to lessen their environmental impact.

### INNOVATIVE EQUIPMENT

During 2011, Trican focused much of its research on improving and designing equipment that is suited for the unconventional wells we are now treating in North America. The changes in our equipment reduce repair and maintenance costs, lower the time on location and improve efficiency of the job. All of this combines to lower the costs of producing unconventional reservoirs for our customers.

#### Trailer-Mounted Manifold and Slick Water Blender

A manifold is used in hydraulic fracturing to control and distribute the flow of fluids. Trican designed and developed a Trailer-Mounted Manifold that is customizable to whatever rates or setups are desired, adapting to the configuration of the location and the requirements of the job. This unit reduces costs to customers and reduces time on location.

This manifold is compatible with Trican's new Slick Water Blender, designed to reduce repair and maintenance costs, reduce downtime and improve performance. The slick water blender also contains a measure of redundancy to maintain operations in the event of component failure. This is important because stimulating shale requires pumping at higher rates and for longer durations and downtime can be disruptive and costly. This new manifold/blender combination keeps Trican's operations running longer and more efficiently.

#### Generation II Dry Blend Unit

Trican's new version Dry Blend unit mixes powder and liquid together on-the-fly for cleaner and more cost effective fluids. This equipment has been specifically designed to improve efficiency and lower costs in shale gas fracturing, as well as increase available pumping rate to accommodate current pumping practices, while still reducing formation damage and contamination risks.

#### New Generation Pumpers

Trican is moving all of its pumping units to the latest generation 2,500 HP pumps. Currently in North America, 95 percent of our pumping fleet is equipped with pumps designed specifically for the more challenging pumping conditions we are experiencing with increased frequency in North America.

### FLUIDS, BLENDS AND ADDITIVES

#### AccuLite™ 1100 Cement Blend

Many wells cannot handle a high density slurry because the hydrostatic pressure is too high and causes formation breakdown. AccuLite 1100 follows the highly-successful AccuLite 1200 introduced last year and offers 1,100 kg/$m^3$ cement density while still meeting

The Microtox® test is a procedure used to evaluate chemicals and their potential toxicity to fresh water supplies. Chemicals passing a Microtox® test with a high threshold are deemed safe for drinking water and safe to handle and often meet many other environmental controls.

compressive strength performance. AccuLite 1100 provides excellent zonal isolation while maintaining accurate density at depths even lower than most other cements with the same density and delivers equivalent performance.

**Trican Thermal Acid**

Thermal heavy oil wells often exhibit calcite scaling and an emulsion of heavy oil and conventional treatments with organic acid are typically an inadequate response. To meet this challenge, Trican developed an effective Thermal Acid System consisting of a proprietary blend of wax and asphaltene solvents, surfactants and corrosion inhibitors.

The key advantage to this system is that it enables the acid to reach and remediate the scaling through successive layers of blockage. At the same time, the inhibitor protects against corrosion in the high-temperature environments that are characteristic of thermal wells.

**CC-55**

The swelling or migrating of clay can cause plugging within the formation pathways. CC-55 is an improved clay control additive that can be added to frac fluid or water, on the fly. This specialized liquid additive provides superior shale and clay control and simpler logistics, handling and mixing. It is typically utilized in well stimulation and workover operations.

## GREENER PRODUCTS

Trican continues to make strides in minimizing the impact of our operations on the environment. We're working to make greener choices available to our customers in every service line we offer where it is possible to do so. Some of the developments in this area include:

**EcoClean® Fracture Fluids**

Trican's expanding line of EcoClean products is designed to reduce the impact of operations on the environment. EcoClean-LW™ is designed to protect water wells and aquifers during treatments. This non-toxic fracturing fluid is utilized primarily in shallow petroleum reservoirs. EcoClean-LW additives are non-toxic, individually and in combination, and all pass the stringent *Microtox*® test.

Trican's EcoClean-GSW™ is a high performance slick water fracturing fluid designed to eliminate contamination risks to geological formations, aquifers and product handlers. The EcoClean-GSW system includes additives that are non-toxic, bio-degradable and non-bioaccumulating, individually or in combination, and each will pass the *Microtox*® test.

**Salt-tolerant friction reducers**

In order to reduce the large scale use of fresh water as the base fluid for fracturing, the use of produced/flowback waters or salt water from source wells is growing within the industry. Previous techniques involved chemically or otherwise treating these waters to make them serviceable; however, Trican has developed a friction reducer that works with these high salt waters without having to treat them. Trican's salt-tolerant friction reducers pass the *Microtox*® test and are also cost effective. They have been shown to perform well at nearly half the concentration when compared to conventional friction reducers and lower horsepower is required to place the treatment.

## HORIZONTAL WELL FRACTURING

Horizontal drilling continues to be a dominant trend in the industry. Trican is a technical leader in innovative solutions to help producers optimize resource recovery from these horizontal wells.

**BPS™**

Introduced in 2009, Trican's patent-pending Burst Port System™ (BPS™) was widely accepted by customers in 2010. BPS typically allows for the close placement of fracture stages in the wellbore and delivers clean, isolated and repeatable fractures into horizontal wells, reducing the time and cost to complete multi-stage stimulation. BPS™ works by

integrating casing collars containing pre-milled ports into the well casing or liner string. They are subsequently straddled by Trican's exclusive selective fracturing cup tool (C2C™), and pressured up to burst at their designated burst point, leaving an isolated conduit to the formation.

**FlowRider™**

FlowRider is a product used to improve proppant transport during slick water fracture treatments. FlowRider modifies proppant so that it can be suspended in water without the use of viscosifyers, transporting it deeper and distributing it more evenly into a reservoir, therefore increasing production. The technology enables faster cleanup and causes little to no damage to the formation. The product was field-tested in late 2010, and, if results prove as expected, could be commercialized later in 2011.

**PropLock™**

In 2010, PropLock's popularity was established with our customers who use it regularly to minimize proppant flowing out of the fracture as the frac fluid flows back to surface after the treatment is completed or when oil or gas is produced from the well. PropLock-treated sand also creates an improved pathway for hydrocarbons to the wellbore and Trican's R&D Centre is currently working to increase PropLock's compatibility with other systems for even greater usage.

**IsoJet™**

IsoJet is an effective method of selectively stimulating multiple zones using jet perforation through coiled tubing. This procedure is recognized by customers as helping to make their wells technically and commercially successful by reducing time on location and getting the well onto production sooner than conventional methods. This technology has been well received by our Russian customers.

**SRVmax® (Integrated Optimization Process)**

Launched and commercialized by Trican in 2009, SRVmax is our integrated process for helping customers maximize production from their oil and gas reserves. SRVmax integrates a series of services and technology to provide a complete understanding of all available reservoir data. This allows operators to utilize the most advantageous wellbore spacing, fracture spacing and fracture design, leading to maximum production from their wells.

Trican had a successful first year in Canada with SRVmax and has now begun preparations for rolling out SRVmax with customers in the United States.

Trican's SRVmax process includes:

- Reservoir characterization – Trican's CBM Solutions group are experts in reservoir characterization and assessing the resource potential of a given zone. Reservoir characterization contributes to fracture modelling, job execution and reservoir simulation.
- Microseismic fracture mapping* provides an image of the fractures in a well by monitoring the microseismic events induced by the treatment being pumped. It is used to calibrate the fracture model, in job execution and reservoir simulation.
- Fracture modelling allows for the virtual testing of fractures and contributes to job execution and reservoir simulation.
- Job execution includes logistical planning and on-site quality control of equipment, material and fluid systems used in the performance of a job.
- Post job analysis contributes to fracture modelling, reservoir simulation and future job execution.
- Reservoir simulation allows customers to model a number of well spacing and treatment scenarios and compare how the reservoir responds. It also contributes to job execution.

INDUSTRIAL SERVICES

In 2010, Trican's industrial division broadened its market base in exchanger cleaning using proprietary technology first introduced in 2009. The new method of improving heat transfer by thorough removal of deposits – shell side and tube side – of heat exchangers represents a growth application that can be applied to all processes that use shell and tube heat exchangers.

Additionally, Trican's industrial division began field testing of an innovative viscous fluid system for the pigging of "unpiggable" pipelines. This niche technology provides an important service to help ensure the integrity of pipelines that feed gathering systems and addresses an under-serviced Industrial Services market segment.

* Trican has developed fit-for-purpose software to integrate complex microseismic data sets into a reservoir simulator, offering 3-D visualization of multiple fracture stages along a horizontal wellbore.

## OUTLOOK

### Canada

Canada's strong 2010 operational and financial results were driven by the increasing demand for fracturing services performed on horizontal wells and the increasing development of oil and liquids-rich gas reservoirs. We expect these trends to continue in 2011 and anticipate strong pressure pumping demand during the year supported by a strong oil price.

Although we are not anticipating a meaningful increase in the price of natural gas during 2011, we expect any potential reductions in the dry gas well count to be largely offset by increases in oil and liquids-rich gas activity. As such, we expect revenue from oil and liquids-rich gas plays to increase as a percentage of total revenue throughout 2011 and maintain the trend that was seen throughout 2010.

Strong activity levels throughout 2010 led to capacity constraints and resulted in the announcement of significant equipment additions during 2010 with a portion of the equipment being deployed during the second half of 2010 and the remainder expected to be deployed during 2011. We expect this additional capacity to be absorbed by the market with robust demand continuing for pressure pumping services and high utilization levels across most producing basins. Approximately 70 percent of our 2011 year end equipment capacity is committed in 2011 which is indicative of the continued strong demand for our services.

Favourable market conditions led to significant pricing improvements throughout 2010. We expect these improvements to continue into early 2011. However, we believe the rate of pricing improvement will moderate during the year as additional equipment capacity is deployed in the Canadian market. As a result, we are anticipating a modest pricing improvement and the rate of margin improvement to moderate during the 2011 first quarter relative to the 2010 fourth quarter.

### United States

A substantial improvement in the US operating environment was evident during 2010, and we expect further improvements to occur in 2011. The renewal in activity levels and optimism within the industry are demonstrated by producers opting to enter into long-term contracts with pressure pumping companies. We currently have two crews in the Haynesville, one in the Barnett, half of a crew in Oklahoma, two in the Marcellus and one in the Eagle Ford under long term contracts. As a result of these contracts, approximately 55 percent of our 2011 year end capacity of 569,500 HP for our US operations will be committed to long-term work arrangements. We will continue to pursue additional contracts targeting 70 percent of our equipment under contract by year end. We believe that this supports our view of continued strong activity levels during 2011 for our US operations.

We expect weak natural gas prices coupled with a reduction in land retention drilling to result in lower activity levels in dry gas producing regions such as the Haynesville Shale, especially during the second half of 2011. We have entered into a three-year contract in the Haynesville with a major US producer, which we expect will assist in insulating us from the overall activity declines in this region. An exception to the trend of declining dry gas production is the Marcellus Shale. We expect activity levels in this region to remain strong as it is a low cost reservoir and close to the large eastern US natural gas consuming market. Trican has entered into two long-term two-year minimum commitment contracts in this region each with a term running until 2012.

In addition, we expect any well count declines from dry gas to be offset by growth in the oil and liquids-rich gas regions such as the Eagle Ford, Permian and Bakken. The percentage of oil wells drilled in the US relative to gas wells continues to climb, and now represents almost 50 percent of total wells drilled, which is the highest percentage since 1995. We expect this trend to continue during 2011 and a key objective will be to capitalize on this growth by expanding into areas focused on oil and liquids-rich gas plays. All of the five crews that we will be building in our 2011 capital budget will be designated for oil or liquids-rich gas areas.

The improved operating environment provided us with opportunities to increase pricing throughout 2010. Many of our contracts have six-month pricing reviews in them which occur in late December and June. Late in 2010, we obtained pricing increases on these contracts and, as a result, we expect our US operating margins to improve during the 2011 first quarter relative to 2010 fourth quarter.

### Russia and Kazakhstan

Based on the results of the 2011 Russian contract tendering process, we expect activity levels to increase by approximately seven percent relative to 2010 and revenue-per-job to increase by six percent We also expect 2011 fracturing pricing, expressed in Russian rubles, to increase by approximately eight percent. We are forecasting a larger increase in coiled tubing and nitrogen activity relative to the increase anticipated in the fracturing service line, which is expected to slightly reduce overall revenue-per-job. Coiled tubing and nitrogen average revenue-per-job are typically much lower than the fracturing service line; however, operating margins are typically higher than the fracturing service line.

While 2010 activity levels met expectations for our Russian operations, significant cost inflation was experienced throughout the year and led to lower than anticipated operating margins. We expect this cost inflation to continue in 2011, in particular for proppant, chemicals and other product costs. The price increases achieved during the 2011 tendering season are expected to offset the cost of inflation being experienced in the Russian market; however, we do not anticipate 2011 operating margins to increase relative to 2010. As a result, the planned focus of the Russian management team for 2011 will be on optimizing the cost structure of Trican Russia and maintaining our superior level of customer service in the Russian market.

### Algeria

The recent political and legislative issues in Algeria created, and continue to create, a difficult operating environment as our customers have delayed work programs. We expect tender delays to result in sluggish activity levels in the first half of 2011 and impact the utilization of our equipment. However, we expect market conditions to gradually improve later in 2011 as these administrative issues are resolved.

We believe in the long-term potential of the Algerian market and are positioning ourselves for profitable growth in this region as appropriate opportunities materialize. Therefore, our focus in 2011 for our Algerian operations will be to solidify our reputation, enhance our service quality and improve profitability.

### DESCRIPTION OF SERVICES

For a description of Trican's services, visit www.trican.ca/services.

## FORWARD-LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of applicable securities legislation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "achieve," "achievable," "believe," "estimate," "expect," "intend," "plan," "planned," and other similar terms and phrases. These statements speak only as of the date of this document and we do not undertake to publicly update these forward-looking statements except in accordance with applicable securities laws. These forward-looking statements include, but are not limited to, statements regarding the following:

- expectation that a second crew will be added to the Marcellus region in 2011;
- expectation that Trican will enter the Eagle Ford basin in Texas in Q2 2011;
- expectation that Trican will move its US office to Houston in 2011;
- belief that aggressive equipment and facilities expenditures will position us well for revenue growth in 2011;
- expectation that the trend of drilling more oil wells will continue in 2011;
- expectation of relatively weaker natural gas prices in 2011;
- expectation of an increase in liquids-rich gas directed activity due to favourable economics of those plays;
- expectation that capital additions across the Canadian pressure pumping industry will reach the market during the second half of 2011 and the belief that demand is sufficient to absorb the additional capacity;
- expectation that additional horsepower in Canada will be designed for use in unconventional oil and gas plays and will increase the Canadian operations horsepower capacity to approximately 321,250 HP;
- expectation that the growth in Canadian unconventional plays will continue in 2011;
- expectation that 2011 will be a growth year for overall drilling activity in Canada;
- expected equipment capacity of Canadian operations at year end 2011;
- expectation that operating margins in the US will increase during Q1 2011;
- expectation that the Marcellus region will continue to experience robust activity levels during 2011;
- expectation that the demand for cementing services will continue to grow in the US during 2011;
- expectation that activity in the Eagle Ford Shale will remain robust in 2011;
- expectation that operations will commence in late Q2 2011 from a new operating base in Mathis, TX;
- belief that the outlook for the US operations continues on a positive trend;
- expectation of strong demand for services in 2011 in the US;
- belief that strong customer demand and willingness of customers to enter into multi-year service agreements supports Trican's aggressive 2011 capital budget in the US;
- expectation that industry activity in the US will remain robust;
- expectation that pricing and financial performance in the US will improve in the first half of 2011 but that such increases will moderate in the latter half of 2011;
- expectation that Trican will add 205,000 HP fracturing capacity resulting in total US fracturing capacity of 569,500;
- expectation that we will add 10 twin cement pumpers and two deep coiled tubing units in the US in 2011;
- belief that Trican's aggressive growth plans strategically position our US operations to take advantage of these opportunities in 2011;
- expected equipment capacity of US operations at year end 2011;

- expectation for activity levels in Russia to increase by approximately seven percent in 2011;
- expectation that pricing increases will help to offset the cost inflation in the Russian market;
- expectation that 2011 margins in Russia will not strengthen relative to 2010;
- belief that the focus of Russian operations will be optimizing the cost structure, leveraging technology and maintaining customer service levels;
- belief in the long term potential of the Russian market;
- expectation that activity levels in Russia and Kazakhstan will continue to grow;
- expectation that Trican's services will be required to optimize production from Russian resource basins;
- expected equipment capacity of Russian operations at year end 2011;
- expectation that activity levels in Algeria will increase later in 2011 as administrative issues are resolved;
- expectation that we will participate in work tenders in Saudi Arabia once we are technically qualified and expectation that such qualification will occur in the first half of 2011;
- belief that North Africa and the Middle East present long-term potential for the pressure pumping market;
- prediction that FlowRider™ could be commercialized later in 2011;
- expectation that the increasing demand for fracturing services performed on horizontal wells and the increasing development of oil and liquids-rich reservoirs will continue in 2011;
- expectation that any potential reductions in the dry gas well count in Canada will be largely offset by increases in oil and liquids-rich activity;
- expectation that revenue from oil and liquids-rich plays in Canada will increase as a percentage of total revenue throughout 2011;
- expectation of deployment of additional equipment acquisitions in Canada in 2011;
- anticipation that the rate of pricing improvements in Canada will moderate during 2011 resulting in moderate rate of margin improvements;
- expectation that weak natural gas prices coupled with a reduction in land retention drilling will result in lower activity levels in dry gas producing regions such as the Haynesville Shale, especially during the second half of 2011;
- expectation that approximately 55 percent of our 2011 year end capacity of 569,500 HP for our US operations will be committed to long term work arrangements;
- anticipation that the two year contracts we have entered into will assist in insulating us from the overall activity declines in the Haynesville region;
- expectation that any well count declines from dry gas will be offset by growth in the oil and liquids-rich gas regions such as the Eagle Ford, Permian and Bakken;
- expectation that oil wells drilled in the US relative to gas wells will continue to climb during 2011;
- expectation that the Marcellus play will be a significant source of growth for our US operations throughout 2011;
- expectation that the percentage of oil wells drilled in the US relative to gas wells will continue to climb in 2011;
- intention to designate the five crews that we will be building in our 2011 capital budget for oil or liquids-rich gas areas;
- expectation that revenue-per-job in Russia will increase by six percent relative to 2010;
- anticipation of a larger increase in coiled tubing and nitrogen activities relative to the increase anticipated in the fracturing service line in Russia;
- expectation that cost inflation in Russia will continue in 2011; and
- expectation that tender delays will result in sluggish activity levels in early 2011 in Algeria.

Forward-looking statements are based on current expectations, estimates, projections and assumptions, which we believe are reasonable but which may prove to be incorrect and therefore such forward-looking statements should not be unduly relied upon. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: industry activity; the general stability of the economic and political environment; effect of market conditions on demand for the Company's products and services; the ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate its business in a safe, efficient and effective manner; the performance and characteristics of various business segments; the effect of current plans; the timing and costs of capital expenditures; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services.

Forward-looking statements are subject to a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks and uncertainties include: fluctuating prices for crude oil and natural gas; changes in drilling activity; general global economic, political and business conditions; weather conditions; regulatory changes; the successful exploitation and integration of technology; customer acceptance of technology; success in obtaining issued patents; the potential development of competing technologies by market competitors; and availability of products, qualified personnel, manufacturing capacity and raw materials. In addition, actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth under the section entitled "Risk Factors" in the Management's Discussion and Analysis of the Company for the Years Ended December 31, 2010 and 2009 dated February 28, 2011, which is available on SEDAR at www.sedar.com.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Kenneth M. Bagan** (1) (2)
President
Enerchem International Inc.

**G. Allen Brooks** (1) (3) (5)
President
G. Allen Brooks, LLC

**Murray L. Cobbe**
Executive Chairman

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft** (4)
President and Chief Operating Officer

**Kevin L. Nugent** (1)
President
Livingstone Energy Management Ltd.

**Douglas F. Robinson** (2) (3) (4)
Independent Businessman

**Gary L. Warren** (2) (3) (4)
Independent Businessman

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee
(4) Member of the Health, Safety and Environment Committee
(5) Lead Director

### OFFICERS

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft**
President and Chief Operating Officer

**Michael G. Kelly, C.A.**
Senior Vice President,
Russia and the Middle East

**David L. Charlton**
Vice President, Sales and Marketing

**Michael A. Baldwin, C.A.**
Vice President, Finance and
Chief Financial Officer

**Bonita M. Croft**
Vice President, Legal,
General Counsel and
Corporate Secretary

**Rob J. Cox**
Vice President, Canadian
Geographic Region

**Steve J. Redmond**
Vice President, Human Resources and
Health, Safety and Environment

### CORPORATE OFFICE

**Trican Well Service Ltd.**
2900, 645 – 7th Avenue S.W.
Calgary, Alberta T2P 4G8
Telephone (403) 266-0202
Facsimile (403) 237-7716
Website www.trican.ca

### AUDITORS

KPMG LLP, Chartered Accountants
Calgary, Alberta

### BANKERS

HSBC Bank of Canada
Calgary, AB

### REGISTRAR AND TRANSFER AGENT

Computershare Trust
Company of Canada
Calgary, Alberta

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: TCW

### INVESTOR RELATIONS INFORMATION

Requests for information
should be directed to:

**Dale M. Dusterhoft**
Chief Executive Officer

**Michael A. Baldwin, C.A.**
Vice President, Finance
and Chief Financial Officer

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# MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2010 and 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial condition and results of operations of the Company has been prepared taking into consideration information available to February 28, 2011 and should be read in conjunction with the consolidated financial statements and accompanying notes.

### OVERVIEW

Headquartered in Calgary, Alberta, Trican has operations in Canada, Russia, Kazakhstan, the U.S. and North Africa. Trican provides a comprehensive array of specialized products, equipment and services that are used during the exploration and development of oil and gas reserves.

**Financial Review**
**($ millions, except per share amounts, unaudited)**

| | | Three months ended December 31, | | | Years ended December 31, | | |
|---|---|---|---|---|---|---|---|
| | | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| Revenue | | **$434.3** | $ 219.9 | $322.8 | **$1,478.3** | $811.5 | $1,016.1 |
| Operating income * | | **109.0** | 24.9 | 73.2 | **330.4** | 70.2 | 181.8 |
| Net income/(loss) | | **56.3** | 14.7 | (96.3) | **151.6** | (8.5) | (71.4) |
| Net income/(loss) per share | (basic) | **0.39** | 0.12 | (0.77) | **1.10** | (0.07) | (0.57) |
| | (diluted) | **0.39** | 0.12 | (0.77) | **1.09** | (0.07) | (0.57) |
| Adjusted net income/(loss)* | | **59.1** | 7.4 | 38.7 | **163.3** | (8.1) | 72.3 |
| Adjusted net income/(loss) per share* | (basic) | **0.41** | 0.06 | 0.32 | **1.18** | (0.07) | 0.58 |
| | (diluted) | **0.41** | 0.06 | 0.31 | **1.18** | (0.07) | 0.58 |
| Funds provided by operations* | | **113.7** | 27.5 | 78.9 | **331.7** | 38.8 | 166.2 |

** Trican makes reference to operating income, adjusted net income/(loss) and funds provided by operations. These are measures that are not recognized under Canadian Generally Accepted Accounting Principles (GAAP). Management believes that, in addition to net income/(loss), operating income, adjusted net income/(loss) and funds provided by operations are useful supplemental measures. Operating income provides investors with an indication of earnings before depreciation, taxes and interest. Adjusted net income/(loss) provides investors with information on net income excluding one-time non-cash charges and the non-cash effect of stock-based compensation expense. Funds provided by operations provide investors with an indication of cash available for capital commitments, debt repayments and other expenditures. Investors should be cautioned that operating income, adjusted net income/(loss), and funds provided by operations should not be construed as an alternative to net income/(loss) determined in accordance with GAAP as an indicator of Trican's performance. Trican's method of calculating operating income, adjusted net income/(loss) and funds provided by operations may differ from that of other companies and accordingly may not be comparable to measures used by other companies.*

### FOURTH QUARTER HIGHLIGHTS

Consolidated revenue for the fourth quarter of 2010 increased by 98% compared to the same period in 2009 and net income increased to $56.3 million from $14.7 million. Fourth quarter adjusted net income increased to $59.1 million from $7.4 compared to the same period in 2009, and diluted adjusted net income per share was $0.41 compared to $0.06 in the fourth quarter of 2009.

Revenue in Canada increased by 110% compared to the fourth quarter of 2009 and 13% compared to the third quarter of 2010. Canadian operating results continued to benefit from the strength of horizontal drilling with a 79% increase in the number of horizontal wells drilled compared to the fourth quarter of 2009. In addition, oil and liquids-rich gas activity continued to grow during fourth quarter revenue as our customers focused on developing these reservoirs. Price increases of 20% compared to the fourth quarter of 2009 and 5% compared to the third quarter of 2010 contributed to improved operating margins both sequentially and year-over-year for our Canadian operations.

Revenue in the U.S. increased by 193% year-over-year and 8% on a sequential basis. Our U.S. operations continued to gain from the growth in horizontal drilling as approximately 56% of overall U.S. drilling activity during the fourth quarter was performed on horizontal wells. We also expanded our U.S. operations with the opening of a new base operating out of the Marcellus play. Fourth quarter operating margins in the U.S. were down slightly compared to the third quarter of 2010 as our ability to increase pricing was limited due to the fixed term nature of certain contracts. Costs associated with start-up activities in the Marcellus and cost increases for key inputs also reduced fourth quarter margins in the U.S. We were able to increase pricing on some key contracts late in 2010 and, as a result, we expect 2011 U.S. margins to improve relative to 2010.

Activity levels for our Russian operations were consistent with expectations as revenue increased 5% compared to the fourth quarter of 2009. Sequential revenue declined by 17% due to the decreased activity caused by typical seasonal slowdowns and the completion of the 2010 work contracts. Operating margins for our Russian operations were negatively impacted by significant cost inflation, particularly related to fracturing proppant chemicals and equipment components.

***Capital Budget Update***

We have increased our 2011 capital budget by $120 million to $493 million. The increase consists of an additional $70 million for our U.S. operations and includes initiating coiled tubing services in the US, expanding our acidizing service line, and infrastructure costs for our new base to support our Eagle Ford and other geographic expansion. The Canadian capital budget has increased by $32 million and includes expansion of our nitrogen service line as well as infrastructure costs relating to the expansion of existing bases in Canada. The Russian capital budget has increased by $9 million and includes maintenance and replacement capital initiatives. The remainder of the capital budget increase will be spent in our Corporate Division.

***Financing Update***

Subsequent to year-end, the Company replaced its existing Revolving Credit Facility with a new syndicated CAD $250 million three year extendible Revolving Credit Facility (the "New Facility"). The New Facility is unsecured and bears interest at Canadian prime rate, U.S. prime rate, Banker's Acceptance rate or at LIBOR plus 125 to 375 basis points, dependent on certain financial ratios of the Company.

## COMPARATIVE QUARTERLY INCOME STATEMENTS

**($ thousands, unaudited)**

| Three months ended December 31, | 2010 | % of Revenue | 2009 | % of Revenue | Quarter-Over-Quarter Change | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **434,254** | **100%** | 219,862 | 100.0% | 214,392 | 97.5% |
| **Expenses** | | | | | | |
| Materials and operating | **303,059** | **69.8%** | 182,697 | 83.1% | 120,362 | 65.9% |
| General and administrative | **22,203** | **5.1%** | 12,252 | 5.6% | 9,951 | 81.2% |
| Operating income* | **108,992** | **25.1%** | 24,913 | 11.3% | 84,079 | 337.5% |
| Other asset impairment | **-** | **0.0%** | (10,766) | -4.9% | 10,766 | -100% |
| Interest expense | **2,356** | **0.5%** | 2,436 | 1.1% | (80) | -3.3% |
| Depreciation and amortization | **29,619** | **6.8%** | 24,772 | 11.3% | 4,848 | 19.6% |
| Foreign exchange loss | **1,270** | **0.3%** | 311 | 0.1% | 952 | 306.1% |
| Other income | **(1,276)** | **-0.3%** | (3,054) | -1.4% | 1,784 | -58.4% |
| Income before income taxes and non-controlling interest | **77,023** | **17.7%** | 11,214 | 5.0% | 65,809 | 586.8% |
| Provision for income taxes | **20,697** | **4.8%** | (3,446) | -1.6% | 24,142 | 700.6% |
| Income before non-controlling interest | **56,326** | **13.0%** | 14,660 | 6.7% | 41,667 | 284.2% |
| Non-controlling interest | **-** | **0.0%** | (41) | -0.0% | 41 | -100% |
| **Net income** | **56,326** | **13.0%** | 14,701 | 6.7% | 41,626 | 283.2% |

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## CANADIAN OPERATIONS

| Three months ended, ($ thousands, unaudited) | Dec. 31, 2010 | % of Revenue | Dec. 31, 2009 | % of Revenue | Sept. 30, 2010 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **267,831** | | 127,256 | | 237,605 | |
| **Expenses** | | | | | | |
| Materials and operating | **160,135** | **59.8%** | 95,730 | 75.2% | 144,971 | 61.0% |
| General and administrative | **7,443** | **2.8%** | 4,057 | 3.2% | 6,688 | 2.8% |
| Total expenses | **167,578** | **62.6%** | 99,787 | 78.4% | 151,659 | 63.8% |
| Operating income* | **100,253** | **37.4%** | 27,469 | 21.6% | 85,946 | 36.2% |
| Number of jobs | **6,674** | | 4,730 | | 5,521 | |
| Revenue per job | **39,738** | | 26,421 | | 42,575 | |

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***Sales Mix***

| Three months ended, ($ thousands, unaudited) | Dec. 31, 2010 | Dec. 31, 2009 | Sept. 30, 2010 |
|---|---|---|---|
| **% of Total Revenue** | | | |
| Fracturing | **65%** | 57% | 71% |
| Cementing | **17%** | 22% | 15% |
| Coiled Tubing | **6%** | 6% | 5% |
| Nitrogen | **5%** | 5% | 4% |
| Acidizing | **4%** | 4% | 3% |
| Other | **3%** | 6% | 2% |
| Total | **100%** | 100% | 100% |

**Operations Review**

Canadian industry activity was robust during the fourth quarter and was led by the continued strength of horizontal drilling and oil and liquids-rich gas directed activity. The number of wells drilled was up 52% compared to the fourth quarter of 2009, led by a 79% increase in the number of horizontal wells drilled. Our Canadian operations were able to capitalize on these strong market conditions and achieved record quarterly revenue and operating income during the fourth quarter of 2010.

Strong oil prices and favorable economics of liquids-rich gas plays led to continued momentum for oil and liquids-rich gas directed activity during the fourth quarter of 2010. This development continues to positively impact Trican as fourth quarter fracturing and fracturing related revenue from oil and liquids-rich gas plays continued to grow. Fourth quarter operating activity in the Horn River and Montney was also strong as producers continued to develop their reserves in these regions.

Strong demand for our services provided us with opportunities to increase pricing and improve operating margins. Our average fourth quarter prices increased by 20% compared to the same period in 2009 and by 5% compared to the third quarter of 2010. Although increases to certain key inputs costs, such as proppant and chemicals, partially offset price improvements, we were able to increase operating income percentage by 1,580 basis points compared to the fourth quarter of 2009 and 120 basis points compared to the third quarter of 2010.

***Current Quarter versus Q4 2009***

Well count increases, led by horizontal drilling, and robust oil and liquids-rich gas directed activity was primarily responsible for the 110% increase in 2010 fourth quarter Canadian revenue compared to the same period in 2009. Job count grew by 41% with increases across all major service lines, including a 78% increase in fracturing job count. Revenue per job was up by 50% and continues to benefit from the growing demand for fracturing services on horizontal wells. Price increases and a larger proportion of fracturing

revenue relative to total revenue also contributed to higher revenue per job. Fracturing revenue per job is significantly higher than revenue per job for our other service lines.

Materials and operating expenses decreased as a percentage of revenue to 59.8% compared to 75.2% for the same period in 2009, largely due to pricing increases and greater operating leverage on our fixed cost structure. General and administrative expenses increased by $3.4 million due to an increase in costs associated with our restricted share unit program, profit sharing and staff costs.

***Current Quarter versus Q3 2010***

Revenue in Canada increased sequentially by 13% and was supported by higher activity levels as the rig count increased by 14%. Job count increased by 21% while revenue per job decreased by 7% due to changing customer mix and a decline in fracturing revenue as a percentage of total revenue.

Materials and operating expenses decreased as a percentage of revenue to 59.8% compared to 61.0% for the third quarter of 2010 as pricing increases more than offset increases to input costs such as proppant and chemicals. General and administrative expenses increased by $0.8 million due to an increase in restricted share unit costs.

## UNITED STATES OPERATIONS

| Three months ended, ($ thousands, unaudited) | **Dec. 31, 2010** | **% of Revenue** | Dec. 31, 2009 | % of Revenue | Sept. 30, 2010 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **107,588** | | 36,701 | | 99,217 | |
| **Expenses** | | | | | | |
| Materials and operating | **83,888** | **78.0%** | 36,711 | 100.0% | 75,543 | 76.1% |
| General and administrative | **1,958** | **2.5%** | 931 | 2.5% | 2,168 | 2.2% |
| Total expenses | **85,846** | **79.8%** | 37,642 | 102.6% | 77,711 | 78.3% |
| Operating income* | **21,742** | **20.2%** | (941) | -2.6% | 21,506 | 21.7% |
| Number of jobs | **822** | | 467 | | 807 | |
| Revenue per job | **131,538** | | 78,965 | | 123,373 | |

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**Operations Review**

The U.S. operating environment remained strong during the fourth quarter as the average number of active drilling rigs in our areas of operation remained consistent with the third quarter. The demand for pressure pumping services benefitted from the continued strength of horizontal drilling in the U.S. as horizontal wells represented approximately 56% of drilling activity during the fourth quarter. In addition, strong U.S. industry activity was supported by the growth of oil and liquids-rich gas directed activity.

We expanded our geographic reach midway through the fourth quarter with the opening of a base in Pennsylvania, operating in the Marcellus play. We completed 27 jobs in this region during the quarter and expect it to be a significant source of growth for our U.S. operations throughout 2011.

Fourth quarter operating margins declined by 150 basis points compared to third quarter of 2010. The fixed term nature of certain contracts did not allow for meaningful price increases during the quarter as pricing increased by only 3% compared to the third quarter. In addition, one time start-up costs relating to the new base in Pennsylvania and overall cost inflation for key inputs had a negative impact on operating margins. We were able to increase pricing on some key contracts late in 2010 and, as a result, we expect 2011 U.S. margins to improve relative to 2010.

***Current Quarter versus Q4 2009***

Fourth quarter revenue in the US increased by 193% compared to the fourth quarter of 2009 due to an increase in job count and revenue per job. The 76% increase in job count reflects the increased industry activity, as the rig count in the existing areas that we operate increased by 32% in the fourth quarter compared to the same period in 2009. In addition, our new operating bases in Shawnee and Pennsylvania provided added capacity during the quarter. Revenue per job increased by 67% compared to the fourth quarter of 2009, reflecting a price increase of 49% and larger job sizes.

Materials and operating expenses decreased from 100% to 78% of revenue as a result of the pricing increases achieved during the year and higher operating leverage on our fixed cost structure. General and administrative costs increased by $1.0 million due largely to costs associated with our restricted share unit plan.

***Current Quarter versus Q3 2010***

Revenue increased by 8% on a sequential basis mainly due to a 7% increase in revenue per job. Pricing increases of 3%, combined with larger job sizes contributed to the increase in revenue per job and were partially offset by a 3% weakening of the U.S. dollar. Fourth quarter job count was relatively unchanged compared to the third quarter, which was consistent with the nominal change in the rig count.

Materials and operating expenses as a percentage of revenue increased to 78% from 76% as pricing increases were offset by higher costs for key inputs. Fourth quarter general and administrative expenses remained relatively consistent with the third quarter.

## RUSSIAN OPERATIONS

| **Three months ended, ($ thousands, unaudited)** | **Dec. 31, 2010** | **% of Revenue** | Dec. 31, 2009 | % of Revenue | Sept. 30, 2010 | % of Revenue |
|---|---|---|---|---|---|---|
| **Revenue** | **58,835** | | 55,905 | | 70,932 | |
| **Expenses** | | | | | | |
| Materials and operating | **53,873** | **91.6%** | 48,550 | 86.8% | 57,920 | 81.7% |
| General and administrative | **4,010** | **6.8%** | 2,009 | 3.6% | 1,595 | 2.2% |
| Total expenses | **57,883** | **98.4%** | 50,559 | 90.4% | 59,515 | 83.9% |
| Operating income* | **952** | **1.6%** | 5,346 | 9.6% | 11,417 | 16.1% |
| Number of jobs | **1,052** | | 1,001 | | 1,247 | |
| Revenue per job | **53,923** | | 54,140 | | 56,001 | |

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***Sales Mix***

| Three months ended, ($ thousands, unaudited) | **Dec. 31, 2010** | Dec. 31, 2009 | Sept. 30, 2010 |
|---|---|---|---|
| **% of Total Revenue** | | | |
| Fracturing | **78%** | 80% | 78% |
| Coiled Tubing | **12%** | 13% | 12% |
| Cementing | **5%** | 4% | 5% |
| Nitrogen | **5%** | 3% | 5% |
| Total | **100%** | 100% | 100% |

**Operations Review**

Fourth quarter revenue and activity levels declined on a sequential basis for our Russian operations. Decreased activity levels were caused by the completion of our customers 2010 work programs, along with the colder temperatures normally experienced near the end of the year. The year-over-year increase in activity resulted in a 5% increase in revenue, consistent with management's expectations for the region.

Operating margins declined due to significant cost inflation, particularly related to fracturing proppant, chemicals and equipment components. The strength in the North American pressure pumping market has resulted in the export of fracturing proppant from Russia to North America causing an under supply in the Russian market and significant pricing pressure. Due to the fixed price nature of our contracts, we are unable to pass along the cost increases to our customers.

The ruble remained relatively stable during the fourth quarter with average rates decreasing by 3% compared to the third quarter of 2010. There was a 10% weakening of the ruble compared to the fourth quarter of 2009.

***Current Quarter versus Q4 2009***
Revenue in Russia for the quarter increased by $2.9 million or 5% relative to the fourth quarter of 2009. A year-over-year increase in activity levels was partially offset by the devaluation of the ruble.

Materials and operating expenses increased from 87% to 92% of revenue as significant cost inflation was partially offset by an increase in pricing relative to the fourth quarter of 2009. General and administrative expenses increased by $2.0 million mainly as a result of costs associated with the restricted share unit plan along with higher employee costs.

***Current Quarter versus Q3 2010***
Revenue declined by 17% compared to the third quarter of 2010 due to decreased activity caused by seasonal slowdowns and the completion of the 2010 work contracts. Revenue per job decreased by 4% largely as a result of the 3% weakening of the ruble.

The continued economic pressures associated with supply inputs caused an increase in variable costs that could not be passed on to customers, resulting in a significant increase in materials and operating costs as a percentage of revenue. General and administrative expenses increased by $2.4 million due to bad debt recoveries that reduced third quarter general and administrative expenses, and increased costs associated with the restricted share unit plan.

## CORPORATE DIVISION

| **Three months ended, ($ thousands, unaudited)** | **Dec. 31, 2010** | **% of Revenue** | Dec. 31, 2009 | % of Revenue | Sept. 30, 2010 | % of Revenue |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Materials and operating | **5,163** | **1.2%** | 2,635 | 1.2% | 3,935 | 1.0% |
| General and administrative | **8,792** | **2.0%** | 4,326 | 2.0% | 7,646 | 1.9% |
| Total expenses | **13,955** | **3.2%** | 6,961 | 3.2% | 11,581 | 2.8% |
| Operating loss* | **(13,955)** | | (6,961) | | (11,581) | |

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Corporate division expenses consist of salaries, stock-based compensation and office costs related to corporate employees, as well as public company costs.

***Current Quarter versus Q4 2009***
Corporate division expenses were up $7 million from the same quarter last year largely because of increases in profit sharing expense, stock based compensation expense and employee costs. Stock based compensation expense includes expenses associated with stock options, restricted share units (RSUs), performance share units (PSUs) and director share units (DSUs). RSU, PSU and DSU expenses are revalued based on the Company's share price, which rose by 43% on a year-over-year basis.

***Current Quarter versus Q3 2010***
Corporate division expenses were up $2.4 million on a sequential basis, reflecting increased professional fees and employee costs incurred during the quarter.

## OTHER EXPENSES AND INCOME

Interest expense remained relatively stable compared to the fourth quarter of 2009 as a reduction in interest expense due to lower average debt balances was partially offset by standby fees on unused debt capacity. Depreciation and amortization increased by $4.8 million compared to the fourth quarter of 2009 as our large capital expenditure program in 2010 led to increased equipment balances.

Foreign exchange losses were $1.3 million in the quarter compared to a loss of $0.3 million for the comparable prior period as a result of U.S. dollar and Russian ruble currency fluctuations relative to the Canadian dollar.

Other income was $1.3 million in the fourth quarter of 2010 and consisted largely of interest income earned on the loan receivable from an unrelated third party.

## INCOME TAXES

Income tax expense increased to $20.7 million in the quarter from a recovery of $3.4 million for the comparable period of 2009. The significant increase in income tax expense recorded during the quarter was primarily a result of higher pre-tax income relative to the fourth quarter of 2009.

## 2010 HIGHLIGHTS

2010 was a year of expansion for Trican, particularly in North America, and resulted in record revenue, operating income and net income for the Company worldwide. As the oil and gas industry began to emerge from the 2009 global economic recession, activity levels and demand for our services in Canada and the U.S. increased substantially. Horizontal drilling activity continued to increase in 2010 and resulted in high demand for North American pressure pumping services due to an increase in the number of fractures per well. In addition, the size of the fracturing treatments is generally larger than treatments for vertical wells, which leads to higher revenue per job. Our North American operations benefitted from these trends, which was evident in the strong 2010 operating results for our Canadian and U.S. regions.

Consolidated revenue for 2010 increased by 82% to $1.5 billion compared to 2009, and adjusted net income increased to $163.3 million from a loss of $8.1 million. Adjusted diluted net income per share increased to $1.18 from a loss of $0.07 and funds from operations increased to $331.7 million from $38.8 million compared to 2009.

Canadian operating results in 2010, when compared to 2009, benefitted from increased overall industry activity and, in particular, an increase in horizontal drilling and oil and liquids-rich gas directed activity. Higher activity levels led to increased demand for our services and provided opportunities for price increases. As a result, operating margins and profitability improved substantially from 2009.

U.S. operations gained from higher industry activity levels throughout 2010 as the rig count was up in all of our areas of operation. The growth of horizontal drilling led to steady demand for our services and provided opportunities for pricing increases throughout the year. 2010 was also a year of expansion for our U.S. operations as we added new bases in Oklahoma and Pennsylvania.

Activity levels in Russia were consistent with our expectations as revenue increased by 9% and job count increased by 19% compared to 2009. However, overall cost inflation was experienced throughout the year and contributed to a decline in operating margins relative to 2009.

## COMPARATIVE ANNUAL INCOME STATEMENTS

**($ thousands, unaudited)**

| Years ended December 31, | 2010 | % of Revenue | 2009 | % of Revenue | Year-Over-Year Change | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **1,478,293** | **100%** | 811,488 | 100% | 666,805 | 82% |
| **Expenses** | | | | | | |
| Materials and operating | **1,078,377** | **72.9%** | 695,413 | 85.7% | 382,964 | 55% |
| General and administrative | **69,502** | **4.7%** | 45,865 | 5.7% | 23,637 | 52% |
| Operating income* | **330,414** | **22.4%** | 70,210 | 8.7% | 260,204 | 371% |
| Other asset impairment reversal | **-** | | (10,766) | 1.3% | 10,766 | -100% |
| Interest expense | **9,159** | **6.2%** | 10,389 | 1.3% | (1,230) | -12% |
| Depreciation and amortization | **110,795** | **7.5%** | 96,805 | 11.9% | 13,990 | 14% |
| Foreign exchange losses | **4,074** | **0.1%** | 5,882 | 0.7% | (1,808) | -31% |
| Other income | **(3,878)** | **0.0%** | (2,244) | 0.3% | (1,634) | 73% |
| Income/(loss) before income taxes and non-controlling interest | **210,264** | **13.9%** | (29,856) | -3.7% | 240,120 | 804% |
| Provision for income taxes | **58,667** | **4.0%** | (21,147) | -2.6% | 79,814 | 377% |
| Income/(loss) before non-controlling interest | **151,597** | **10.0%** | (8,709) | 1.1% | 160,306 | 1,841% |
| Non-controlling interest | **(20)** | **0.0%** | (196) | 0.0% | 176 | -90% |
| **Net Income/(loss)** | **151,617** | **10.0%** | (8,513) | 1.1% | 160,130 | 1,881% |

* *see first page of this report*

## CANADIAN OPERATIONS

| Year ended December 31, ($ thousands, unaudited) | 2010 | % of Revenue | 2009 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **858,201** | | 415,630 | | 106% |
| **Expenses** | | | | | |
| Materials and operating | **553,413** | **64.5%** | 336,008 | 80.8% | 65% |
| General and administrative | **25,060** | **2.9%** | 18,057 | 4.3% | 39% |
| Total expenses | **578,473** | **67.4%** | 354,065 | 85.2% | 63% |
| Operating income* | **279,728** | **32.6%** | 61,565 | 14.8% | 354% |
| Number of jobs | **21,931** | | 16,262 | | 35% |
| Revenue per job | **38,733** | | 25,153 | | 54% |

* *see first page of this report*

Revenue from Canadian operations increased 106% from the previous year to $858.2 million. Average revenue per job increased by 54% because of larger fracturing jobs performed on horizontal wells and an 8% average price increase. Job count increased by 35% due to increased industry activity.

Materials and operating expenses decreased as a percentage of revenue to 64.5% from 80.8%. The decrease is a result of higher pricing throughout the year combined with increased operational leverage on our fixed cost structure. General and administrative costs increased $7.0 million from the prior year as a result of an increase in restricted share unit costs incurred in 2010, higher profit sharing expenses and increased employee costs.

## UNITED STATES OPERATIONS

| Year ended December 31, ($ thousands, unaudited) | 2010 | % of Revenue | 2009 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **361,055** | | 157,366 | | 129% |
| **Expenses** | | | | | |
| Materials and operating | **284,573** | **78.8%** | 156,547 | 99.5% | 82% |
| General and administrative | **6,725** | **1.9%** | 5,893 | 3.7% | 14% |
| Total expenses | **291,298** | **80.7%** | 162,440 | 103.2% | 79% |
| Operating income* | **69,757** | **19.3%** | (5,074) | -3.2% | 1,475% |
| Number of jobs | **3,130** | | 1,825 | | 72% |
| Revenue per job | **115,740** | | 86,416 | | 34% |

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An increase in job count combined with a rise in revenue per job resulted in revenue growth of 129% compared to the prior year. Revenue per job increased 34% due mainly to a 24% increase in pricing and larger job sizes, offset partially by a 10% decrease in the value of the U.S. dollar relative to the Canadian dollar. The increase in job count can be attributed to expansion of our operations into two new bases during 2010 and robust activity levels, with the rig count in our existing areas of operations increasing by 27%.

Materials and operating costs as a percentage of revenue decreased from 99.5% to 78.8% largely because of pricing increases and improved operational leverage on our fixed cost structure. General and administrative expense increased $0.8 million due to increased employee costs associated with the restricted share unit plan introduced in 2010.

## RUSSIAN OPERATIONS

| Year ended December 31, ($ thousands, unaudited) | 2010 | % of Revenue | 2009 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Revenue** | **259,037** | | 238,492 | | 9% |
| **Expenses** | | | | | |
| Materials and operating | **224,896** | **86.8%** | 191,533 | 80.3% | 17% |
| General and administrative | **10,433** | **4.0%** | 9,264 | 3.9% | 13% |
| Total expenses | **235,329** | **90.8%** | 200,797 | 84.2% | 17% |
| Operating income* | **23,708** | **9.2%** | 37,695 | 15.8% | -37% |
| Number of jobs | **4,510** | | 3,781 | | 19% |
| Revenue per job | **56,206** | | 61,090 | | -8% |

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Year-over-year revenue and activity levels were up with a 19% increase in the number of jobs. Revenue per job decreased largely because of the 6% decline in the ruble relative to the Canadian dollar.

Materials and operating expenses increased as a percentage of revenue, resulting in lower operating margins. Cost inflation for key inputs caused deterioration in margins during the year that could not be mitigated through price increases due to the fixed term nature of our Russian contracts. General and administrative expenses increased by $1.2 million mainly as a result of costs associated with the restricted share unit plan along with higher employee costs.

## CORPORATE DIVISION

| Year ended December 31, ($ thousands, unaudited) | 2010 | % of Revenue | 2009 | % of Revenue | Year-Over-Year Change |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Materials and operating | **15,494** | **1.0%** | 8,656 | 1.1% | 79% |
| General and administrative | **27,285** | **1.8%** | 15,320 | 1.9% | 79% |
| Total expenses | **42,779** | **2.9%** | 23,976 | 3.0% | 78% |
| Operating loss* | **(42,779)** | | (23,976) | | 78% |

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Corporate division expenses increased $18.8 million compared to last year due to an increase in stock based compensation expenses, employee expenses and an increase in profit sharing expenses.

### OTHER EXPENSES AND INCOME

Interest expense decreased by $1.2 million relative to 2009 as a result of lower average debt balances and lower interest rates on our debt facilities. Depreciation and amortization increased to $110.8 million for the year compared to $96.8 million for the same period in 2009 due to higher equipment balances in all of our regions.

Foreign exchange losses were $4 1 million for 2010. The weakening of the U.S. dollar and Russian ruble relative to the Canadian dollar during 2010 resulted in a foreign exchange loss on our U.S. dollar and Russian ruble net monetary assets. Other income in 2010 was $3.9 million and consisted largely of interest income on a loan from an unrelated third party.

### INCOME TAXES

Trican recorded an income tax expense of $58.7 million in the year compared to a recovery of $21.1 million for the comparable period of 2009. The Company's effective tax rate for 2010 was an expense of 27.9% versus a recovery of 70.8% for 2009. The increase in income tax expense is directly related to higher earnings in the current year relative to 2009.

### OTHER COMPREHENSIVE INCOME

The consolidated statement of other comprehensive income for the year ended December 31, 2010 includes $24.9 million in unrealized losses on translating the financial statements of our self-sustaining foreign operations. The losses arise primarily on translation of the net assets of certain U.S. and Russian subsidiaries using the current rate method, given that the subsidiaries are considered self-sustaining for Canadian GAAP purposes. During 2010, the Canadian dollar strengthened by 10% against the U.S. dollar and by 6% against the Russian ruble. The net effect was a decrease in the value of our net asset position in these subsidiaries in Canadian dollar terms.

### LIQUIDITY AND CAPITAL RESOURCES

***Operating Activities***

Funds provided by operations in 2010 increased by $292.9 million to $331.7 million compared to the previous year. The increase was largely income related as operating income increased by $260.2 million.

At December 31, 2010 the Company had working capital of $361.3 million compared to $166.1 million from the previous year. There were significant increases in all current asset and accounts payable balances due to the increase in activity experienced during 2010.

The Company has commitments for operating lease agreements, primarily for vehicles and office space, in the aggregate amount of $36.9 million (2009 - $17.7 million). The Company also has commitments for capital lease agreements for equipment in the aggregate amount of $4.7 million including interest (2009 - $2.8 million). Payments over the next five years are as follows:

| (Stated in thousands) | Payments due by period | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Operating leases | 9,137 | 8,380 | 7,979 | 6,224 | 5,152 |
| Capital leases | 1,544 | 1,544 | 1,162 | 496 | - |

As at December 31, 2010, the Company has commitments totaling approximately $97.5 million (2009 - $4.4 million) relating to the construction of fixed assets in 2011.

***Investing Activities***

Capital expenditures for the year totaled $279 million compared with $46 million for the same period in 2009. This investment was largely directed towards equipment and operating facilities in North America and included a $46 million asset acquisition from a U.S. based private company.

During the second quarter of 2010 and pursuant to an agreement amended in March 2007, the Company increased its ownership interest in R-Can Services Limited by 0.6% to 100.0%. The Company paid $5.8 million for this acquisition, increasing goodwill by $5.5 million and reducing non-controlling interest to nil. R-Can holds the investment in the Company's Russian operations.

At the end of 2010, the Company had a number of ongoing capital projects and estimates that $97.5 million of additional investment will be required to complete them.

We have increased our 2011 capital budget by $120 million to $493 million. The increase consists of an additional $70 million for our U.S. operations and includes initiating coiled tubing services in the US, expanding our acidizing service line, and infrastructure costs for our new base to support our Eagle Ford and other geographic expansion. The Canadian capital budget has increased by $32 million and includes expansion of our nitrogen service line as well as infrastructure costs relating to the expansion of existing bases in Canada. The Russian capital budget has increased by $9 million and includes maintenance and replacement capital initiatives. The remainder of the capital budget increase will be spent in our Corporate Division.

***Financing Activities***

During 2010, the Company entered into a syndicated CAD $250 million three year extendible Revolving Credit Facility (the "Facility"). The Facility was unsecured and bore interest at prime rate, U.S. base rate, Banker's Acceptance rate or at LIBOR plus 150 to 400 basis points, dependent on certain financial ratios of the Company. The Facility requires the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement. At December 31, 2010, there was no amount owing on the Facility and the Company was in compliance with the covenants. The Facility replaced all existing bank loan and long-term debt facilities, with the exception of the U.S.$20 million bank loan held by the Company's Russian subsidiary and the notes payable.

Subsequent to year-end, the Company replaced the Facility with a new syndicated CAD $250 million three year extendible Revolving Credit Facility (the "New Facility"). The New Facility is unsecured and bears interest at prime rate, U.S. base rate, Banker's Acceptance rate or at LIBOR plus 125 to 375 basis points, dependent on certain financial ratios of the Company. The New Facility requires the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement.

On April 14, 2010, the Company entered into an agreement with a syndicate of underwriters pursuant to which the underwriters purchased on a "bought deal" basis pursuant to a short form prospectus, 17,698,500 common shares at a price of $13.00 per Common Share for gross proceeds to Trican of approximately $230 million including over allotments. Closing of the Offering occurred on May 7, 2010.

During 2010, our debt balances decreased by $103 million due primarily to payments made on our long-term revolving and bank loan facilities.

At December 31, 2010 we have $269.9 million of available debt under our existing facilities.

As at February 28, 2011, Trican had 144,768,569 common shares and 6,550,579 employee stock options outstanding.

## OUTLOOK

### Canada

Canada's strong 2010 operational and financial results were driven by the increasing demand for fracturing services performed on horizontal wells, and the increasing development of oil and liquids-rich gas reservoirs. We expect these trends to continue in 2011 and anticipate strong pressure pumping demand during the year supported by a strong oil price.

Although we are not anticipating a meaningful increase in the price of natural gas during 2011, we expect any potential reductions in the dry gas well count to be largely offset by increases in oil and liquids-rich gas activity. As such, we expect revenue from oil and liquids-rich gas plays to increase as a percentage of total revenue throughout 2011, and maintain the trend that was seen throughout 2010.

Strong activity levels throughout 2010 led to capacity constraints and resulted in the announcement of significant equipment additions during 2010 with a portion of the equipment being deployed during the second half of 2010 and the remainder expected to be deployed during 2011. We expect this additional capacity to be absorbed by the market with robust demand continuing for pressure pumping services and high utilization levels across most producing basins. Approximately 70% of our 2011 year end equipment capacity is committed in 2011 which is indicative of the continued strong demand for our services.

Favourable market conditions led to significant pricing improvements throughout 2010. We expect these improvements to continue into early 2011. However, we believe the rate of pricing improvement will moderate during the year as additional equipment capacity is deployed in the Canadian market. As a result, we are anticipating a modest pricing improvement and the rate of margin improvement to moderate during the 2011 first quarter relative to the 2010 fourth quarter.

### United States

A substantial improvement in the US operating environment was evident during 2010, and we expect further improvements to occur in 2011. The renewal in activity levels and optimism within the industry are demonstrated by producers opting to enter into long-term contracts with pressure pumping companies. We currently have two crews in the Haynesville, one in the Barnett, half of a crew in Oklahoma, two in the Marcellus and one in the Eagle Ford under long term contracts. As a result of these contracts, we expect that approximately 55% of our 2011 year end capacity of 548,000 HP for our US Operations will be committed to long term work arrangements. We will continue to pursue additional contracts targeting 70% of our equipment under contract by year end. We believe that this supports our view of continued strong activity levels during 2011 for our US operations.

We expect weak natural gas prices coupled with a reduction in land-retention drilling to result in lower activity levels in dry gas producing regions such as the Haynesville Shale, especially during the second half of 2011. We have entered into a three-year contract in the Haynesville with a major US producer, which we expect will assist in insulating us from the overall activity declines in this region. An exception to the trend of declining dry gas production is the Marcellus Shale. We expect activity levels in this region to remain strong, as it is a low cost reservoir and close to the large eastern US natural gas consuming market. Trican has entered into two long-term two year minimum commitment contracts in this region each with a term running until 2012.

In addition, we expect any well count declines from dry gas to be offset by growth in the oil and liquids-rich gas regions such as the Eagle Ford, Permian and Bakken. The percentage of oil wells drilled in the US relative to gas wells continues to climb, and now represents almost 50% of total wells drilled, which is the highest percentage since 1995. We expect this trend to continue during 2011, and a key objective will be to capitalize on this growth by expanding into areas focused on oil and liquids-rich gas plays. All five crews being built in our 2011 capital budget will be designated for oil or liquids-rich gas areas.

The improved operating environment provided us with opportunities to increase pricing throughout 2010. Many of our contracts have 6 month pricing reviews in them which occur in late December and June. Late in 2010, we obtained pricing increases on these contracts and, as a result, we expect our US operating margins to improve during the 2011 first quarter relative to 2010 fourth quarter.

**Russia**
Based on the results of the 2011 Russian contract tendering process, we expect activity levels to increase by approximately 7% relative to 2010, and revenue-per-job to increase by 6%. We also expect 2011 fracturing pricing, expressed in Russian rubles, to increase by approximately 8%. We are forecasting a larger increase in coiled tubing and nitrogen activity relative to the increase anticipated in the fracturing service line, which is expected to slightly reduce overall revenue-per-job. Coiled tubing and nitrogen average revenue-per-job are typically much lower than the fracturing service line; however, operating margins are typically higher than the fracturing service line.

While 2010 activity levels met expectations for our Russian operations, significant cost inflation was experienced throughout and year and led to lower than anticipated operating margins. We expect this cost inflation to continue in 2011, in particular for proppant, chemicals and other product costs. The price increases achieved during the 2011 tendering season are expected to offset the cost inflation being experienced in the Russian market; however, we do not anticipate 2011 operating margins to increase relative to 2010. As a result, the Russian management team's planned focus for 2011 will be on optimizing the cost structure of Trican Russia, and maintaining our superior level of customer service in the Russian market.

**Algeria**
Recent political and legislative issues in Algeria created and continue to create a difficult operating environment as our customers have delayed work programs. We expect tender delays to result in sluggish activity levels in first half 2011 and impact the utilization of our equipment. However, we expect market conditions to gradually improve later in 2011 as these administrative issues are resolved.

We believe in the long-term potential of the Algerian market and are positioning ourselves for profitable growth in this region as appropriate opportunities materialize. Therefore, our focus in 2011 for our Algerian operations will be to solidify our reputation, enhance our service quality, and improve profitability.

## ACCOUNTING STANDARDS PENDING ADOPTION

***International Financial Reporting Standards (IFRS)***
In February 2009, the Canadian Accounting Standards Board confirmed that effective January 1, 2011, all publicly accountable enterprises will be required to report under IFRS as issued by the International Accounting Standards Board (IASB). On January 1, 2011, these standards will apply to the Company.

## CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles. In doing so, management is required to make various estimates and judgments in determining the reported amounts of assets and liabilities, revenues and expenses, as well as the disclosure of commitments and contingencies. Management bases its estimates and judgments on its own experience and various assumptions believed to be reasonable under the circumstances. Anticipating future events cannot be done with certainty; therefore, these estimates may change as new events occur, more experience is acquired or the Company's operating environment changes. The accounting estimates believed to require the most difficult, subjective or complex judgments and which are material to the Company's financial reporting results are as follows:

***Allowance for Doubtful Accounts Receivable***
Trican evaluates its accounts receivable through a continuous process of assessing its portfolio on an individual customer and overall basis. This process consists of a thorough review of historical collection experience, current aging status of the customer accounts, financial condition of the Company's customers, and other factors. Based on its review of these factors, it establishes or adjusts allowances for specific customers as well as general provisions if industry conditions warrant. This process involves a high degree of judgment and estimation and frequently involves significant dollar amounts. Accordingly, the Company's results of operations can be affected by adjustments to the allowance due to actual write-offs that differ from estimated amounts. At December 31, 2010, the consolidated allowance for doubtful accounts is $4.6 million.

***Impairment of Long-Lived Assets***
Long-lived assets include property and equipment and intangible assets. They are tested for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment

loss is recognized when the carrying amount of the assets exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Estimates of undiscounted future net cash flows are calculated using estimated future job count, sales prices, operating expenditures and other costs. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may impact the expected recoverability of the Company's assets.

To test for and measure impairment, assets are grouped at the lowest level for which identifiable cash flows are largely independent. The four lowest asset groupings for which identifiable cash flows are largely independent are Canadian Operations, Russian Operations, U.S. Operations and the Corporate Division.

As at December 31, 2010, we performed impairment tests over our fixed assets and intangible assets and determined that the carrying value of these assets is fairly stated.

***Impairment of Loans***

Other assets include a U.S.$19.2 million interest bearing first mortgage real estate loan to an unrelated third party. This loan is tested for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the assets exceeds the sum of the discounted expected future cash flows inherent in the loan. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the fair value of the property securing the loan is estimated and compared to the carrying value of the loan. The fair value of the property is estimated by considering historical revenue and expenses generated by the property. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur, which may impact the expected recoverability of the loan to an unrelated third party.

As at December 31, 2010, Management has determined that the loan to an unrelated third party is not impaired as a result of the procedures and estimates used to assess the carrying value of the loan.

***Goodwill Impairment***

Goodwill represents the excess of the purchase price for companies acquired over the fair market value of the acquired Company's net assets. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at least annually.

The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and performance of the second step of the impairment test is unnecessary. The second step compares the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of the impairment loss, if any. Assumptions utilized to determine the fair value of each reporting unit are estimated future job count, sales prices, operating expenditures and other costs as well as various earnings multiples. These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur which may impact the impairment of goodwill.

We have determined that none of the existing goodwill is impaired as at December 31, 2010.

***Depreciation and Amortization of Property and Equipment***

Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the asset. Management bases the estimate of the useful life and salvage value of equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives and salvage values of the Company's equipment are reasonable, they cannot be certain that depreciation and amortization expense measures with precision the true reduction in value of assets over time. There have been no significant changes to the estimated useful lives of the Company's property and equipment during the past two years.

***Income Taxes***

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the future tax asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning

arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances associated with the Company's future tax assets.

***Inventory Obsolescence***
Inventories are regularly reviewed and provisions for obsolete inventory are established based on historical usage patterns and known changes to equipment or processes that would render specific items no longer usable in operations. Significant or unanticipated changes in business conditions could affect the amount and timing of any additional provision for obsolete inventory that may be required

**FINANCIAL INSTRUMENTS**

***Fair values of financial assets and liabilities***
The fair values of cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities included in the consolidated balance sheets, approximates their carrying amount due to the short-term maturity of these instruments.

Notes payable, including the current portion, have a fair value of approximately $105.8 million as at December 31, 2010 (December 31, 2009 - $106.4 million). The bank loans including the equipment and acquisition loan facility approximate their carrying amount due to the variable interest rates applied to these loans and credit spreads on the facilities approximating market rates. The fair value of the loan to an unrelated third party has a fair value of $23.8 million at December 31, 2010 (December 31, 2009 -$24.5 million).

***Market risk***
Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates and is comprised of the following:

*Interest rate risk*
The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

An increase or decrease in interest expense for each one percent change in interest rates on floating rate debt would have amounted to $0.4 million (2009 - $1.0 million) for the year ended December 31, 2010 based on the average debt balances for the year.

*Foreign exchange rate risk*
As the Company operates primarily in North America and Russia, fluctuations in the exchange rate between the U.S. dollar/Canadian dollar and Russian ruble/Canadian dollar can have a significant effect on the operating results and the fair value or future cash flows of the Company's financial assets and liabilities.

Canadian entities are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the Consolidated Statements of Operations.

Foreign entities with a domestic functional currency expose the Company to currency risk on the translation of these entities' financial assets and liabilities to Canadian dollars for consolidation. For instance, the operations in Russia have a ruble functional currency, and adjustments arising when translating this foreign entity into Canadian dollars are reflected in the Consolidated Statements of Other Comprehensive Income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

Foreign entities are exposed to currency risk on financial assets and liabilities denominated in currencies other than their functional currency with adjustments recognized in the Consolidated Statements of Operations. For instance, the operations in Russia where the functional currency is the ruble will incur foreign exchange gains and/or losses on financial assets and liabilities denominated in currencies other than the ruble.

As at and for the year ending December 31, 2010, the Company does not have an active hedging program. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in foreign currency and foreign currency rates on an on-going basis. Exposures to the U.S. dollar and Russian ruble are mitigated by on-going operations within foreign entities as assets, liabilities,

revenue and expenses are denominated primarily in local currencies. The Company also mitigates exposure to fluctuations in the U.S. dollar by maintaining a mix of both Canadian and U.S. dollar debt.

For the year ended December 31, 2010, fluctuations in the value of foreign currencies would have had the following impact on net income and other comprehensive income:

| (stated in thousands of dollars) | Impact to Net Income | Impact to Other Comprehensive Income |
|---|---|---|
| 1% increase in the value of the U.S. dollar | $ (687) | $ 1,404 |
| 1% decrease in the value of the U.S. dollar | 687 | (1,404) |
| 1% increase in the value of the Russian ruble | 184 | 1,599 |
| 1% decrease in the value of the Russian ruble | (184) | (1,599) |

***Credit risk***

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

Customer

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

Payment terms with customers vary by region and contract; however, standard payment terms are 30 days from invoice date. Historically, industry practice allows for payment up to 70 days from invoice date. The Company considers its accounts receivable at December 31, 2010 excluding doubtful accounts to be aged as follows:

| (Stated in thousands) | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Current (0 - 30 days from invoice date) | **$ 185,201** | $ 106,413 |
| 1 - 30 days past due | **116,394** | 49,106 |
| 31 - 60 days past due | **33,643** | 13,090 |
| Greater than 60 days past due | **34,336** | 18,031 |
| **Total** | **$ 369,574** | $ 186,640 |
| **Provision for doubtful accounts** | **$ 4,588** | $ 5,157 |

The Company's allowance for doubtful accounts decreased $0.6 million compared to December 31, 2009. The Company's objectives, processes and policies for managing credit risk have not changed from the previous year.

Counterparties

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties to cash transactions are limited to high credit quality financial institutions. The Company does not anticipate non-performance that would materially impact the Company's financial statements.

***Liquidity risk***

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. This is generally carried out at the geographic region level in accordance with practices and policies established by the Company.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through capital markets and banks. As at December 31, 2010, the Company had available unused committed bank credit facilities in the amount of $269.9 million (2009 - $143.8 million) plus cash and accounts receivable of $81.1 million (2009 - $26.1 million) and $365.0 million (2009 - $181.5 million) respectively, for a total of $716.0 million (2009 - $351.4 million) available to fund the cash outflows relating to its financial liabilities. The Company believes it has sufficient funding through the use of these sources to meet foreseeable borrowing requirements.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

| (Stated in thousands) | Less than 1 year | 1 to less than 3 years | 3 to less than 5 years | Total |
|---|---|---|---|---|
| Accounts payable | 198,012 | - | - | **198,012** |
| Dividend payable | 7,232 | - | - | **7,232** |
| Long-term debt | - | 24,865 | 74,595 | **99,460** |
| Interest on long-term debt | 6,080 | 9,903 | 2,288 | **18,271** |
| Capital lease obligations (including interest) | 1,544 | 2,706 | 496 | **4,746** |
| | $212,868 | $37,474 | $77,379 | **$327,721** |

## BUSINESS RISKS

Our business is subject to a number of risks and uncertainties, some of which are summarized below. We encourage you to review and carefully consider the risks described below, as well as those described elsewhere in this report and in other publicly disclosed reports and materials. If any such risks were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In turn, this could have a material adverse effect on the trading price of our securities. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our business and operations.

**Demand for Trican's services is dependent upon the level of expenditures in the oil and gas industry, which can be volatile.**

The demand, pricing and terms for Trican's services depend significantly upon the level of expenditures made by oil and gas companies on exploration, development and production activities. Expenditures by oil and gas companies are typically directly related to the demand for and price of oil and gas. Generally, when commodity prices and demand are, or are predicted to be, relatively high, demand for Trican's services is high. The converse is also true.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain production levels for oil; oil and gas production by non-OPEC countries; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; and weather conditions.

Any prolonged or substantial reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for Trican's services.

In addition to current and future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Company has no control, including but not limited to: weak general economic conditions; the cost of exploring for, producing and delivering oil and gas; the expected rates of current production; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability of pipeline and other oil and gas transportation capacity; North American natural gas storage levels; political, regulatory and economic conditions; taxation changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital or debt financing; and movement of the Canadian dollar and Russian ruble relative to the U.S. dollar. A material decline in expenditures by oil and gas companies, caused by a decrease in oil and gas prices or otherwise, could have a material adverse effect on Trican's business, financial condition, results of operations and cash flows.

Additionally, during times of weak industry conditions, the risk of payment delays and failure to pay increases due to a reduction in customers' cash flow and challenges relating to their ability to access debt and equity markets among other factors.

**Trican's Canadian operations are susceptible to weather volatility.**

The well service industry is characterized by considerable seasonality in Canada, and to a lesser extent in Russia. During the second quarter when the frost leaves the ground, many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment resulting in severe restrictions in the level of well servicing activity. The duration of this period, commonly referred to as the "spring break-up", has a direct impact on the level of our activities, particularly in Canada. During other periods of the year, rainfall can also render some of the secondary and oilfield service roads impassable for the Company's equipment. Additionally, if an unseasonably warm winter prevents sufficient freezing, Trican may not be able to access well sites.

These factors can all reduce activity levels below normal or anticipated levels. Activity levels in the U.S. and Russia are typically not impacted to the same extent by seasonality.

**The oilfield services industry is highly competitive.**

We compete with multi-national, national and regional competitors in each of our current service lines in each of our geographic regions. Although we believe that we are continuing to build market share and have a significant presence in respect of all of our services, we do not currently hold a dominant market position with respect to any of the services we offer in any of the markets in which we operate. Certain of our competitors may have financial, technical, manufacturing and marketing advantages in certain regions and may be in a stronger competitive position than Trican as a result.

Competitive actions taken by our competitors such as price changes, new product and technology introductions and improvements in availability and delivery could affect our market share or competitive position. The intense competition within our industry could lead to a reduction in revenue or prevent us from successfully pursuing additional business opportunities.

In addition, certain foreign jurisdictions and government-owned petroleum companies have adopted policies or regulations which may give local nationals in these countries a competitive advantage and which may impede our ability to expand into or to sustain a market share in such countries.

**Trican would be adversely affected should access to a credit facility or additional financing be unavailable to Trican or its customers.**

Trican's growth strategy is subject to the availability of additional financing for future costs of operations or expansion that may not be available, or may not be available on favourable terms. Trican's activities may also be financed partially or wholly with debt, which may increase its debt levels above industry standards. The level of Trican's indebtedness from time to time could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms.

Furthermore, many of our customers access the credit markets to finance their oil and natural gas drilling activity. If the availability of credit to our customers is reduced, they may reduce their drilling and production expenditures, thereby decreasing demand for our products and services. Any such reduction in spending by our customers could adversely impact our operating results and financial condition.

**The loss of key customers could cause Trican's revenue to decline substantially.**

For the year ending December 31, 2010, our North American operations had two significant customers. One customer accounted for approximately 11% of consolidated revenue with a mix of revenue between Canada and the United States. A second company represented approximately 16% of our consolidated revenue and all of the revenue from this customer was generated in the United States. There can be no assurance that the

Company's relationships with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

**Failure to receive timely delivery of new equipment and parts from suppliers could adversely affect Trican's growth plans.**

The Company's ability to expand its operations and provide reliable service is dependent upon timely delivery of new equipment and replacement parts from fabricators and suppliers. During past periods of high industry activity, a shortage of skilled labour to build equipment coupled with high demand has placed a strain on some fabricators. If a similar strain occurs in the future, it could potentially increase the order time on new equipment and increase uncertainty surrounding final delivery dates. Significant delays in the arrival of new equipment from expected dates may constrain future growth and may have a material adverse effect on the financial performance of the Company.

**Trican is subject to various risks from its foreign operations.**

Some of Trican's current operations and related assets are located in Russia, Kazakhstan and Algeria. Further, Trican's growth plans may contemplate establishing operations in additional foreign countries where the political and economic systems may be less stable than those in North America. Operations in these countries may be subject to a variety of risks including, but not limited to: social unrest or civil war, currency fluctuations, devaluations and exchange controls; inflation; uncertain political and economic conditions resulting in unfavourable government actions such as unfavourable legislation or regulation, trade restrictions, nationalization, expropriation, extortion, unfavourable tax enforcement or adverse tax policies; the denial of contract rights; trade restrictions or embargoes imposed by other countries; restrictions on the repatriation of income or capital; and acts of terrorism or armed conflict. If any of the risks described above materialize, it could reduce Trican's earnings and cash available for operations.

Further, government-owned oil companies located in some countries have adopted policies or are subject to governmental policies giving preference to the purchase of goods and services from companies that are majority-owned by local nationals. As a result, we may rely on joint ventures, license arrangements and other business combinations with location nationals in these countries. Activities in these countries may require protracted negotiation with host governments, national oil companies and third parties.

Our operations outside of Canada could also expose us to trade and economic sanctions or other restrictions imposed by the Canadian or other governments or organizations. Federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against corporations or individuals for violations of securities laws, foreign corrupt practices laws or other federal statutes. If any of the above described risks materialize, it could materially impact Trican's operating results and financial condition.

Further, Trican is subject to various laws and regulations in the U.S. jurisdictions in which it operates that govern the operation and taxation of its business. The imposition, application and interpretation of such laws and regulations can prove to be uncertain.

**An oversupply of oilfield service equipment could lead to a decline in the demand for Trican's services.**

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the inventory of oilfield service equipment in the industry does not always correlate with the level of demand. Periods of high demand often result in increased capital expenditures on equipment and those capital expenditures may add capacity that exceeds actual demand. This excess capacity could cause Trican's competitors to lower their prices and could lead to a decrease in prices in the oilfield services industry generally. Consequentially, Trican could fail to secure enough work in which to employ its equipment. This could have a material adverse effect on Trican's operating results and cash flows.

**Fluctuations in foreign currency exchange rates could adversely affect the Company.**

Trican's consolidated financial statements are presented in Canadian dollars. The reported results of our foreign subsidiary operations are affected by the movement in exchange rates primarily between the Canadian and United States dollar and Russian ruble. Trican's Canadian operations include exchange rate exposure as purchases of some equipment and materials are from United States suppliers. When acquiring Trican U.S., we took on United States dollar denominated debt which acts as a partial hedge against this investment. Other than natural hedges that arise from day-to-day operations, the Company does not maintain an active hedge program for foreign exchange exposure.

**Business acquisitions entail numerous risks and may disrupt Trican's business or distract management attention.**

As part of Trican's business strategy, it will continue to consider and evaluate acquisitions of, or significant investments in, complementary businesses and assets. Any acquisition that Trican completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results.

**Acquisitions involve numerous risks, including:**

- unanticipated costs and liabilities;
- difficulty of integrating the operations and assets of the acquired business;
- the ability to properly access and maintain an effective internal control environment over an acquired company;
- potential loss of key employees and customers of the acquired company; and
- an increase in expenses and working capital requirements.

Trican may incur substantial indebtedness to finance acquisitions and also may issue equity securities in connection with any such acquisitions. Trican will be required to meet certain financial covenants in order to borrow money under its credit agreements to fund acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to shareholders. Acquisitions could also divert the attention of management and other employees from Trican's day-to-day operations and the development of new business opportunities. In addition, Trican may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets. Even if the Company is successful in integrating its recent or future acquisitions into its existing operations, it may not derive the benefits, such as operational or administrative synergies, that it expected from such acquisitions.

**Failure to adequately protect its intellectual property could adversely impact Trican's business.**

When providing services, Trican relies on trade secrets and know-how to maintain its competitive position and where possible, it undertakes to protect its intellectual property by applying for patent protection. Trican's business may be adversely affected if it fails to obtain patents, its patents are unenforceable, the claims allowed under its patents are not sufficient to protect its technology or its trade secrets are not adequately protected. Trican's competitors may be able to develop similar technology independently without infringing on its patents or gaining access to its trade secrets.

Furthermore, if any of its competitors obtain patents over valuable intellectual property, Trican may be unable to offer certain services in certain jurisdictions, be forced to use less effective or costlier alternative technology, or required to enter into costly licensing agreements.

**Trican's business is affected by governmental regulations and policies.**

Trican's operations, and those of its customers, are subject to a variety of federal, provincial, state and local laws, regulations and guidelines, including laws and regulations related to health and safety, the conduct of operations, the manufacture, management, transportation and disposal of certain materials used in its operations. Trican believes it is in compliance with such laws and regulations and has invested financial and managerial resources to ensure such compliance. Such expenditures historically have not been material to Trican. However, because such laws and regulations are subject to change it is impossible for Trican to

predict the cost or impact of such laws and regulations on its future operations, nor their impact on its customers' activities and thereby on the demand for its services.

**Trican's operations are subject to inherent hazards which may not be covered by insurance.**

Trican's operations are subject to hazards inherent in the oil and gas service industry, such as equipment defects, damage, loss, malfunctions and failures, and natural disasters which may result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruptions, and damage to or destruction of property and equipment. These hazards could expose Trican to liability for personal injury, wrongful death, property damage and other environmental damages. Trican continuously monitors its activities for quality control and safety and maintains insurance coverage it believes to be adequate and customary in the industry. Additionally Trican seeks to obtain indemnification from its customers by contract for certain of the above risks. However, such insurance and indemnities may not be adequate to cover Trican's liabilities and may not be available in the future at rates Trican considers reasonable and commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, financial condition, results of operations and cash flow could be materially adversely affected.

**Compliance with various environmental laws, rules legislation and guidelines could impose greater costs on Trican's business or lead to a decline in the demand for services.**

Participants in the well services industry are subject to various environmental laws and regulations. These laws and regulations primarily govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in Trican's operations and may require extensive remediation or impose civil or criminal liability for violations. Trican's customers are subject to similar laws and regulations, as well as limits on emissions into the air and discharges into surface and sub-surface waters.

Recent bills in the United States have asserted that hydraulic fracturing processes use chemicals that could affect drinking water supplies. The proposed legislation would have required the energy industry to publicly disclose the chemicals it mixes with the water and sand it pumps underground in the fracturing process. Though these bills did not become law, future legislation of this type, if passed, could lead to operational delays and increased operating costs. The adoption of any future federal or state laws or implementing regulations in the United States, or in other jurisdictions in which the Company carries on business, which impose reporting obligations on, or otherwise limit the hydraulic fracturing process could make it more difficult for the Company to provide fracturing services for natural gas and oil wells and could have a material adverse impact on the Company's financial position and operating results.

**The provision of fracturing services for natural gas and oil wells and could have a material adverse impact on the Company's financial position and operating results.**

Trican is subject to increasingly stringent environmental laws and regulations, some of which may provide for strict liability for damages to natural resources or threats to public health or safety. While Trican maintains liability insurance, the insurance is subject to coverage limits and may exclude coverage for damage resulting from environmental contamination. There can be no assurance that insurance will continue to be available to Trican on commercially reasonable terms, that the possible types of environmental liability will be covered by insurance or that the dollar amount of such liabilities will not exceed Trican's policy limits. Even a partially insured claim, if successful and of sufficient magnitude, could have a material adverse effect on Trican's business, results of operations and prospects.

Future regulatory developments could have the effect of reducing industry activity. Trican cannot predict the nature of the restrictions that may be imposed. Trican may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations. Such expenditures could be material.

**Failure to maintain Trican's safety standards and record could lead to a decline in the demand for services.**

Standards for the prevention of incidents in the oil and gas industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, Trican has developed and implemented safety and training programs which it believes meets or exceeds the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of Trican's safety performance could result in a decline in the demand for Trican's services and could have a material adverse effect on its revenues, cash flows and profitability.

**Trican may be subject to litigation, contingent liabilities and potential unknown liabilities.**

From time to time, Trican is subject to costs and other effects of legal and administrative proceedings, settlements, reviews, claims and actions. Trican may in the future be involved in disputes with other parties which could result in litigation or other actions, proceedings or related matters including in relation to its historical option granting practices.

Further there may be unknown liabilities assumed by Trican in relation to prior acquisitions or dispositions as well as environmental or tax issues. The discovery of any material liabilities could have an adverse effect on Trican's financial condition and results.

The tools, techniques, methodologies, programs and components Trican uses to provide its services may infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running its core business. Royalty payments under licenses from third parties, if available, would increase its costs. If a license were not available Trican might not be able to continue providing a particular product or service, which could reduce its operating revenue. Additionally, developing non-infringing technologies would increase its costs.

The results of litigation or any other proceedings or related matters cannot be precisely predicted due to uncertainty as to the final outcome. Trican's assessment of the likely outcome of these matters is based on its judgement of a number of factors including past history, precedents, relevant financial and other evidence and facts specific to the matter as known at the time of the assessment.

**Trican may be adversely impacted by a shortage of qualified personnel.**

Trican requires highly skilled personnel to operate and provide technical services and support for its business. Competition for the personnel required for its businesses intensifies as activity increases. In periods of high utilization it may become more difficult to find and retain qualified individuals. This could increase Trican's costs or have other adverse effects on its operations.

**There are certain risks associated with Trican's dependence on third-party suppliers.**

Trican sources raw materials, such as oilfield cement, proppant, nitrogen, carbon dioxide and coiled tubing, from a variety of suppliers, most of whom are located in Canada, Russia and the United States. Alternate suppliers exist for all raw materials. The source and supply of materials has been consistent in the past; however, in periods of high industry activity, Trican has experienced periodic shortages of certain materials. Management maintains relationships with a number of suppliers in an attempt to mitigate this risk. However, if the current suppliers are unable to provide the necessary materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to Trican's clients could have a material adverse effect on its results of operations and financial condition.

**Merger and acquisition activity may reduce the demand for Trican's services.**

Merger and acquisition activity in the oil and gas exploration and production sector may constrain demand for the Company's services as customers focus on reorganizing the business prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than Trican.

**New technology could place Trican at a disadvantage versus competitors.**

The ability of the Company to meet customer demands in respect of performance and cost will depend upon continuous improvements in operating equipment. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by Trican to do so could have a material adverse effect on the Company's business, financial condition, results of operation and cash flows. No assurances can be given that competitors will not achieve technological advantages over the Company.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

***Disclosure Controls and Procedures***

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in National Instrument 52-109. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were designed to provide a reasonable level of assurance over disclosure of material information, and are effective as of December 31, 2010.

***Management's Report on Internal Control over Financial Reporting***

The Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have assessed and evaluated the design and effectiveness of the Company's internal control over financial reporting as defined in National Instrument 52-109 as of December 31, 2010. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations (COSO) in the "Internal Control-Integrated Framework". These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documentation, evaluation, and testing of its internal controls over financial reporting. Based on that evaluation, the Company's management concluded that the Company's internal controls over financial reporting are effective and provide reasonable assurance regarding the reliability of the Company's financial reporting and its preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles, and are effective as of December 31, 2010.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

***Changes in Internal Controls over Financial Reporting during Q4***

During the quarter ended December 31, 2010, Trican established an Internal Audit department. The Internal Audit department's responsibilities include evaluating and improving the effectiveness of Trican's risk management, control and governance processes.

In addition, Trican appointed Michael Kelly as Senior Vice President, Russia and the Middle East in June, 2010 and General Director of our Russian Operations. During the quarter ended December 31, 2010, Trican also initiated a reorganization of its Russian operations management team and has implemented changes in processes and internal controls in Russia focused on improvements to the contract bidding and procurement process and IT general computer controls.

Further, as part of Trican's ongoing effort to expand its international presence, during the quarter the Company implemented revisions to its Code of Ethics and Professional Conduct and introduced improvements to its compliance program to ensure best practices.

Taken as a whole, the establishment of an Internal Audit department, the changes to the Russian Operations' management team and internal controls and the revisions to the Company's Code of Ethics and Professional Conduct improves and is reasonably likely to materially affect Trican's internal control over financial reporting. There have been no other changes in Trican's internal control over financial reporting that occurred during the period that have materially affected or are reasonably likely to materially affect Trican's internal control over financial reporting.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS UPDATE

The Accounting Standards Board has confirmed that use of International Financial Reporting Standards (IFRS) will be required for years beginning on or after January 1, 2011 for profit-oriented publicly accountable entities. Trican has developed a project plan to complete the transition to IFRS by January 1, 2011, including the preparation of required comparative information.

The project plan consists of three phases: impact assessment, detailed assessment and design, and implementation. We have completed the impact assessment phase, which included:

- Developing a detailed conversion timeline;
- Assessing resource and training needs;
- Identifying differences between Canadian GAAP and IFRS that have the greatest potential impact to Trican considering the most significant impact on the financial statements and greatest risk in terms of complexity to implement; such areas identified to date include property & equipment, impairment testing, financial statement disclosures and stock based compensation;
- Assessing the impact on Trican's IT systems.

We have made progress on all stages, focusing on the key areas listed above. Regular progress reports are provided to key management and the Audit Committee.

To date we have:

- Drafted a set of full IFRS financial statements, including draft IFRS accounting policies applicable to Trican. We have also drafted the condensed IFRS Q1 2010 interim financial statements;
- Drafted January 1, 2010 IFRS opening balance sheet and subsequent quarterly balance sheets up to December 31, 2010, based on our draft accounting policies;
- Drafted quarterly income statements, cash flow statements and statements of changes in equity up to December 31, 2010;
- Analyzed the IFRS adjustments up to December 31, 2010;
- Carried out a full detailed assessment of significant components of our property & equipment and created a componentized model for use on transition;
- Analyzed accounting policy alternatives and implementation options including the first time adoption exemptions detailed in IFRS 1 (see below);
- Designed a new method for tracking share-based payments under IFRS and calculated transition accounting entries;
- Met with other oilfield service companies to gain a consensus on the accounting treatments that Trican will adopt under IFRS; and
- Met with each geographic region to discuss cash generating units and their impact on impairment testing and finalized models for use in impairment testing. We have also assessed the opening IFRS balance sheet for impairment.

The detailed assessment and design phase of the project have been completed. The implementation is ongoing and significant progress has been made during 2010 and early 2011. Trican's external auditors have carried out certain initial audit procedures on the IFRS opening balance sheet impacts and have started reviewing the IFRS impacts up to September 30, 2010. The Company has completed all activities to date per its detailed project plan and expects to meet all milestones through to completion of its conversion to IFRS.

***Accounting policies***

We have determined the accounting policy choices available under IFRS 1 First Time Adoption of IFRS as follows:

*Business Combinations*
The classification of Trican's former business combinations under Canadian GAAP will be maintained and re-measurement of the fair values determined at the time of the business combination will not be required. Also, no adjustments to goodwill will be needed.

*Share-based payment transactions*
Trican is not required to apply IFRS 2 for its share option grants before November 7, 2002 and for share option grants after November 7, 2002 that have vested by the IFRS transition date of January 1, 2010. Trican will apply IFRS 2 retrospectively for any options that have not vested at January 1, 2010.

*Cumulative translation differences*
Trican will elect not to calculate the translation difference relating to foreign operations retrospectively but instead will reset the translation differences at January 1, 2010 determined under Canadian GAAP to zero.

*Borrowing costs*
Trican will not retrospectively capitalize any borrowing costs that meet the definition of capital under IFRS.

*Property and equipment*
Trican will not choose the option to restate each item of property and equipment at its fair value and use that fair value as its new deemed historical cost going forward as from January 1, 2010. Trican will instead restate the property and equipment balance to the historic cost basis that would have existed if IFRS policies had been in place since inception by re-creating the entire fixed assets sub-ledger for every historical reporting period back to the original inception of operations by Trican.

We are in the process of making all other accounting polices IFRS compliant.

***Information technology and data systems***
Trican completed a functionality assessment on all IT systems regarding their ability to manage changes associated with the IFRS conversion. We concluded that all existing IT systems are adequate.

***Internal controls***
The conversion to IFRS will have no significant impact on the current control environment. During the implementation phase, we will execute any required changes to business processes, financial systems, accounting policies, and internal controls over financial reporting.

***Disclosure controls***
Trican has completed the first draft of full IFRS financial statements. The additional information required for disclosure under IFRS will be readily available and we will execute the adjustments required to make the opening balance sheet IFRS compliant.

***Sufficiency of financial reporting expertise***
Trican's corporate reporting team has extensive training in and knowledge of IFRS including the transition from generally accepted accounting principles to IFRS.

Over the next year we will continue to monitor our IFRS changeover plan and make the necessary modifications to reflect new and amended accounting standards issued by the International Accounting Standards Board. We will also participate with our peers in any related industry initiatives as appropriate.

At this time, the quantitative impact of the transition to IFRS on Trican's financial statements is not reasonably determinable.

## SELECTED ANNUAL INFORMATION

($000s, except per share amounts and operational information)

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Revenue | **1,478,293** | 811,488 | 1,016,083 |
| Net (loss)/income | **151,617** | (8,513) | (71,362) |
| (Loss)/earnings per share: | | | |
| - Basic | **1.10** | (0.07) | $ (0.57) |
| - Diluted | **1.09** | (0.07) | $ (0.57) |
| Funds provided by operations* | **331,713** | 38,819 | 166,210 |
| Capital expenditures | **278,802** | 45,867 | 124,383 |
| Total assets | **1,450,722** | 1,029,839 | 1,231,976 |
| Total long-term financial liabilities | **99,460** | 174,660 | 244,032 |
| Shareholders' equity | **1,008,665** | 647,193 | 718,577 |
| Average shares outstanding - Basic | **137,400** | 125,616 | 124,726 |
| Average shares outstanding - Diluted | **138,571** | 125,616 | 124,726 |
| Shares outstanding at year end | **144,637** | 125,639 | 125,563 |
| Dividend per share | **$ 0.10** | $ 0.10 | $ 0.10 |

***See first page of this report**

***2009 versus 2008 – Selected Annual Information***

The financial crisis and global economic recession reduced demand for our services and contributed to a reduction in revenue and operating income within our Canadian and U.S. regions during 2009. Demand for our services in Russia remained strong throughout 2009 due to success during the 2009 contract award process. Overall, Russian industry activity did not decline as much as North American activity, as a recovery in oil prices and devaluation of the ruble supported more active work programs for our customers in the Russian region.

2009 consolidated revenue decreased by 20% to $811.5 million compared to 2008, and net income decreased from $72.3 million to a loss of $8.1 million before the impact of one-time non-cash charges and stock based compensation expense. Adjusted diluted net income per share fell to a loss of $0.07 from income of $0.58 and funds from operations decreased to $38.8 million from $166.2 million compared to 2008.

The after-tax impact on net income from one-time charges in 2009 included a $4.4 million charge relating to the settlement of a patent infringement lawsuit, and $9.5 million of income relating to the reversal of an impairment provision booked on a loan to an unrelated third party.

Canadian operating results in 2009, when compared to 2008, were negatively impacted by lower natural gas prices and reduced industry demand. However, cost cutting initiatives and our ability to meet the technical requirements of the unconventional oil and gas plays allowed us to weather the economic challenges faced in 2009.

Excluding the impact of a 19% reduction in the value of the Russian ruble versus the Canadian dollar, revenue for our Russian operations remained relatively consistent with 2008 as demand for services remained strong throughout the year. Results were negatively impacted by challenging weather conditions experienced near the end of the year.

U.S. operations were slowed by excess equipment capacity and low natural gas prices throughout most of 2009. To maximize fleet utilization and maintain market share, pricing discounts were increased significantly compared to 2008. The margin contraction that resulted from the pricing decrease was partially offset by cost cutting measures implemented throughout the year.

**Operational Information**

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Canadian operations | | | |
| Number of jobs completed | 21,931 | 16,262 | 23,621 |
| Revenue per job | 38,733 | 25,153 | 23,625 |
| United States Operations | | | |
| Number of jobs completed | 3,130 | 1,825 | 1,648 |
| Revenue per job | 115,740 | 86,416 | 100,792 |
| Russian operations | | | |
| Number of jobs completed* | 4,510 | 3,781 | 3,648 |
| Revenue per job* | 56,206 | 61,090 | 80,675 |

** Prior period figures have been adjusted to reflect our revised methodology for determining job count and revenue per job data for coiled tubing and nitrogen.*

**Summary of Quarterly Results** ($ millions, except per share amounts; unaudited)

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Revenue | **434.3** | **407.8** | **306.3** | **330.0** | 219.9 | 188.4 | 136.3 | 266.9 |
| Net income / (loss) | **56.3** | **53.7** | **8.7** | **32.8** | 14.7 | (7.4) | (25.5) | 9.6 |
| Earnings / (loss) per share | | | | | | | | |
| Basic | **0.39** | **0.37** | **0.06** | **0.26** | 0.12 | (0.06) | (0.20) | 0.08 |
| Diluted | **0.39** | **0.37** | **0.06** | **0.26** | 0.12 | (0.06) | (0.20) | 0.08 |

**Q4 – 2010**

- Consolidated revenue for the fourth quarter increased by 98% compared to the fourth quarter of 2009 and reflected a strong operating environment in North Americ and activity levels in Russia that were consistent with expectations
- Revenue in Canada increased by 110% compared to the fourth quarter of 2009 and 13% compared to the third quarter of 2010. Canadian operating results continued to benefit from the strong horizontal drilling and oil and liquids-rich gas activity. Price increases of 20% compared to the fourth quarter of 2009 and 5% compared to the third quarter of 2010 contributed to improved operating margins both sequentially and year-over-year for our Canadian operation
- Revenue in the U.S. increased by 193% year-over-year and 8% on a sequential basis. Our U.S. operations benefitted from the growth in horizontal drilling and the opening of a new base operating out of the Marcellus play. Fourth quarter operating margins were down slightly compared to the third quarter of 2010 as our ability to increase pricing was limited due to the fixed term nature of certain contracts. Costs associated with start-up activities in the Marcellus and cost increases for key inputs also had a negative impact on fourth quarter margins in the U.S.
- Activity levels for our Russian operations were consistent with expectations as revenue increased 5% compared to the fourth quarter of 2009. Sequential revenue declined by 17% due to the decreased activity caused by typical seasonal slowdowns and the completion of the 2010 work contracts. Operating margins for our Russian operations were negatively impacted by significant cost inflation, particularly related to fracturing proppant chemicals and equipment components

**Q3 – 2010**

- Our third quarter results continued to reflect a strong operating environment in North America brought on by the continued growth of completions work performed on horizontal wells. Utilization levels continued to improve yielding opportunities for pricing improvements in Canada and the U.S.
- Revenue in Canada increased by 159% for the third quarter while operating income increased by 391% compared to the same period in 2009. This growth can be attributed to an 87% growth in active drilling rigs compared to 2009 as well as continued growth in the unconventional horizontal activity. The development of oil and liquids rich gas reservoirs also had a positive impact on overall activity levels in Canada as revenue from these plays was 45% of total revenue.

- Demand for fracturing services in the U.S. remained strong throughout the third quarter as revenue increased 200% over the same period in 2009 and 4% on a sequential basis. Continued strong demand provided opportunities for pricing increases resulting in higher operating margins.
- Russian revenue increased 11% over the same period in 2009. Sequential operating income improved due to favorable weather conditions throughout the summer resulting in lower fuel and maintenance costs. Margins remained lower than 2009 levels due to overall cost inflation experienced throughout the region combined with weak financial results in Algeria.

**Q2 – 2010**

- Operating results for the second quarter of 2010 continued to improve with revenue 125% higher than the same period in 2009. Canadian and U.S. activity continued to increase while Russian operations were negatively impacted by cost inflation.
- Canadian revenue increased 198% for the quarter compared to the second quarter of 2009. As expected, second quarter results were impacted by spring break-up conditions; however, activity levels benefitted from the extension of first quarter completions work into the second quarter, increased year-ever-year activity in the Montney, Cardium and Viking regions, and more pad work, which is less prone to work stoppages from road bans.
- Revenue in the U.S. increased 183% compared to the same period in 2009, and 60% over the first quarter of 2010. The increase in revenue can be attributed to an increase in horizontal drilling as well as the Shawnee base being operational for the entire quarter.
- Second quarter Russian activity levels increased compared to the same period in 2009, resulting in a 28% increase in revenue. Although activity levels were high, cost inflation and service line mix resulted in lower than expected margins for our Russian operations.

**Q1 – 2010**

- Operating results for the first quarter of 2010 reflect improved operating conditions in Canada and the U.S., while Russia encountered smaller job sizes and unfavorable weather conditions.
- Revenue in Canada increased 42% compared to Q1 2009. Strong Canadian results for the quarter can be attributed to a rise in industry activity brought on by increased interest in unconventional plays and commodity price improvement.
- The U.S. experienced a 19% increase in rig count during the first quarter of 2010 yielding a 10% increase in revenue for our U.S. operations. In addition, an 8% pricing increase contributed to the significant improvement in operating margins. During Q1 we acquired $49 million of fracturing assets from a private U.S. company increasing our presence in the U.S. market.
- Russian operations were negatively impacted by the devaluation of the ruble relative to the Canadian dollar as well as smaller job sizes and reduced utilization due to unfavorable weather conditions. This resulted in an 8% decrease in revenue compared to the first quarter of 2009 as well as a decrease in operating margins.

**Q4 – 2009**

- Operating results for the fourth quarter of 2009 reflect improved operating conditions in Canada and the U.S. and difficulties encountered in Russia due to unfavorable weather conditions.
- Revenue in Canada decreased compared to the fourth quarter of 2008 as a decline in rig count and natural gas prices had a negative impact on overall activity levels. Compared to the third quarter of 2009, fourth quarter revenue improved by 39% as rig count increased by 46%. Improved operating conditions seen in the fourth quarter gave us an opportunity to increase staffing levels and reverse wage roll-backs implemented earlier in the year.
- Russian operations were negatively impacted by poor weather conditions during the fourth quarter. Revenue for the fourth quarter of 2009 decreased by 30% relative to the fourth quarter of 2008 and by 12% compared to the third quarter of 2009. Operating margins were also impacted by the cold weather as increased fuel usage and equipment wear occur during colder periods.

- Excess equipment capacity and low natural gas prices continued to have a negative impact on U.S. operations as revenue and job count for the fourth quarter of 2009 decreased compared to the fourth quarter of 2008. Several positive developments occurred in the U.S. during the fourth quarter including a modest recovery in natural gas prices and a 14% increase in rig count compared to the third quarter of 2009. These positive developments contributed to an 11% increase in revenue on a sequential basis.

**Q3 – 2009**

- Operating results for the third quarter reflected strength in our Russian region, improving operating conditions in Canada and continued weakness in the U.S..
- Low natural gas prices and high natural gas storage levels continued to depress activity levels and pricing in Canada as revenue and job count decreased by 42% and 43% respectively compared to the third quarter of 2008. However, rig count in Canada started to show signs of improvement and operating results strengthened accordingly during the second half of the third quarter. Cost savings to date were $14 million in 2009.
- Russian revenue in the third quarter of 2009 decreased by 21% compared to the third quarter of 2008 largely due to a 23% weakening in the average rate of the Russian ruble relative to the Canadian dollar. Increased fracturing and nitrogen activity led to a 6% increase in job count, which was partially offset by a decrease in cementing activity. Operating margins continued to improve within our Russian region.
- Third quarter U.S. revenue decreased by 31% compared to the same period in 2008 as low natural gas prices led to reduced industry activity. The reduced activity combined with excess equipment capacity resulted in significant pricing pressure in our area of operations in the U.S.. The competitive pricing environment led to an increase in discounts of 850 basis points. Year-to-date cost savings of $7.6 million were achieved in the U.S.
- The net loss increased as a result of a one-time charge relating to the settlement of a patent infringement lawsuit. The after-tax impact of the settlement was $4.4 million increasing the diluted loss per share for the quarter by $0.04.

**Q2 – 2009**

- Our second quarter results reflected a weak operating environment across our Canadian and U.S. regions, partially offset by strength in our Russian region. Low natural gas prices impacted North American results as drilling activity dropped significantly. The majority of work performed in Russia is on oil wells, and given the moderate recovery in oil prices, activity levels in Russia have declined less than they have in North America.
- The typical seasonal activity slowdown associated with spring break-up negatively impacted the second quarter financial results in Canada. In addition, the lower year-over-year well count led to a 27% decrease in revenue and a 21% reduction in job count compared to second quarter of 2008. Our declines in revenue and job count in Canada were less severe than the decrease in industry rig count, as activity from the fracturing intensive unconventional gas plays partially mitigated the drop in well count. Cost cutting measures resulted in cost savings of approximately $4 million during the second quarter.
- Russian revenue decreased 18% in the second quarter compared to the same period in 2008 largely due to an 18% decline in the value of the ruble. Activity levels for our coiled tubing and nitrogen service lines continue to increase, which contributed to the 3% increase in job count. Operating margins continued to improve within our Russian due to cost control initiatives implemented.
- Second quarter revenue in the U.S. increased 10% compared to the same period in 2008 as a 14% increase in the U.S. dollar was partially offset by significant pricing reductions. Low commodity prices and a highly competitive pricing environment created challenges in the U.S. market. We realized $2 million in cost savings in the second quarter.

**Q1 – 2009**

- Operating results for the quarter reflected a significant reduction in North American drilling activity and reduced drilling activity in Russia

- Revenue in Canada decreased only 4% compared to the first quarter of 2008, in spite of a 36% reduction in the average number of active drilling rigs over the same period. Trican benefited from a 61% increase in the amount of work performed in unconventional natural gas and oil plays
- Russian revenue decreased 7% from the first quarter of 2008 mainly as a result of a 10% weakening in the ruble relative to the Canadian dollar. Demand for our services in Russia was favourable even though we could not operate for approximately two weeks due to extremely cold weather in February and typical delays at the beginning of the year due to seasonal holidays.
- U.S. revenue increased 169% from the first quarter of 2008, reflecting the sand supply disruption issues that impacted the first quarter of 2008. However, revenue decreased 20% from the fourth quarter of 2008 due to a reduction in rig count levels in our areas of operations that reduced utilization and resulted in increased competition for work.
- The Board of Directors announced that Murray Cobbe stepped down from his position of President and Chief Executive Officer and assumed the role of Executive Chairman. Dale Dusterhoft assumed the role of Chief Executive Officer and Don Luft assumed the role of President and Chief Operating Officer.

## NON-GAAP DISCLOSURE

Adjusted net income does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. The following is a reconciliation of adjusted net income, as used in this MD&A, to net income, being the most directly comparable measure calculated in accordance with GAAP. The reconciling items have been presented net of tax.

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2010 | Dec. 31, 2009 |
| Adjusted net income/(loss) | 59,133 | 7,362 | 163,277 | (8,104) |
| Deduct/(Add): | | | | |
| Other asset (impairment reversal)/impairment | - | (9,465) | - | (9,465) |
| Non cash stock-based compensation expense | 2,806 | 2,126 | 11,660 | 9,874 |
| Net income/(loss) (GAAP financial measure) | 56,327 | 14,701 | 151,617 | (8,513) |

Other non-GAAP measures include operating income and funds provided by operations. A calculation of operating income is shown in the consolidated statements of operations and funds provided by operations are shown in the consolidated cash flow statements.

## FORWARD-LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of applicable securities legislation. These forward-looking statements are identified by the use of terms and phrases such as "anticipate," "achieve", "achievable," "believe," "estimate," "expect," "intend", "plan", "planned", and other similar terms and phrases. These statements speak only as of the date of this document and we do not undertake to publicly update these forward-looking statements except in accordance with applicable securities laws. These forward-looking statements include, among others:

- expectations that the increasing demand for fracturing services performed on horizontal wells, and the increasing development of oil and liquids-rich gas reservoirs will continue in 2011;
- the anticipation that there will not be a meaningful increase in the price of natural gas during the first half of 2011;
- expectations that any potential reductions in the dry gas well count in Canada will be largely offset by increases in oil and liquids-rich gas activity;
- expectations that revenue from oil and liquids-rich gas plays in Canada will increase as a percentage of total revenue throughout 2011;
- expectation of deployment of additional equipment acquisitions to be deployed in 2011;

- expectations of additional capacity available in Canada being absorbed by the market with robust demand continuing for pressure pumping services and high utilization levels across most producing basins;
- expectations that favorable Canadian market conditions will continue to lead to significant pricing improvements in early 2011;
- anticipation that the rate of pricing improvements in Canada will moderate during 2011 resulting in moderate rate of margin improvements;
- expectations of further improvements in the U.S. operating environment throughout 2011;
- expectations that weak natural gas prices coupled with a reduction in land retention drilling will result in lower activity levels in dry gas producing regions such as the Haynesville Shale, especially during the second half of 2011;
- expectation that approximately 55 percent of our 2011 year end capacity of 548,000 HP for our US Operations will be committed to long term work arrangements
- anticipation that the two year contracts we have entered into will assist in insulating us from the overall activity declines in the Haynesville region;
- expectation that activity levels in the Marcellus Shale region will remain strong as it is a low cost reservoir located in close proximity to the consuming market;
- expectation that any well count declines from dry gas will be offset by growth in the oil and liquids-rich gas regions such as the Eagle Ford, Permian and Bakken;
- expectations that oil wells drilled in the U.S. relative to gas wells will continue to climb during 2011;
- expectations that US operating margins will continue to improve during the 2011;
- expectations that the Marcellus play will be a significant source of growth for our U.S. operations throughout 2011;
- expectation that the percentage of oil wells drilled in the US relative to gas well will continue to climb in 2011;
- intention to designate the five crews that we will be building in our 2011 capital budget for oil or liquids-rich gas areas;
- expectation that activity levels in Russia to increase by approximately seven percent relative to 2010, and revenue-per-job to increase by six percent;
- expectations that Russian activity levels will continue to increase relative to 2010;
- anticipation that fracturing pricing will increase in 2011 compared to 2010;
- anticipation of a larger increase in coiled tubing and nitrogen activities relative to the increase anticipated in the fracturing service line in Russia;
- expectation that cost inflation in Russia will continue in 2011;
- expectation that price increases achieved during the 2011 tendering season will offset the cost inflation;
- expectation that there will not be a significant increase in operating margins relative to 2010 in the Russian geographic region;
- expectation that tender delays will result in sluggish activity levels in early 2011 in Algeria;
- expectation that market conditions will gradually improve later in 2011 as administrative issues are resolved in Algeria;
- anticipation of the long term potential of the Algerian market being strong;
- expected timing for completion of the assessment and design phase of our project plan for transition to IFRS;
- expectations with respect to changes to be made during the implementation phase of our project plan for transition to IFRS;
- expectations with respect to continued monitoring of changes in accounting standards relating to our IFRS changeover plan and participation with our peers in any related industry initiatives;
- expectation that the Company will adopt certain accounting policy choices available under IFRS 1 First Time Adoption of IFRS;
- expectation that the conversion to IFRS is not expected to have a significant impact on the current control environment;
- expectation that information required for additional IFRS disclosure will be readily available;
- expectation that the Company has sufficient funding to meet future borrowing requirements;
- estimates of additional investment required to complete ongoing capital projects;
- expectation that there will be opportunities to expand our operations in other regions.

Forward-looking statements are based on current expectations, estimates, projections and assumptions, which we believe are reasonable but which may prove to be incorrect and therefore such forward-looking statements should not be unduly relied upon. In addition to other factors and assumptions which may be identified in this document, assumptions have been made regarding, among other things: industry activity; the general stability of the economic and political environment; effect of market conditions on demand for the Company's products and services; the ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; the ability to operate its business in a safe, efficient and effective manner; the performance and characteristics of various business segments; the effect of current plans; the timing and costs of capital expenditures; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and services.

Forward-looking statements are subject to a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks and uncertainties include: fluctuating prices for crude oil and natural gas; changes in drilling activity; general global economic, political and business conditions; weather conditions; regulatory changes; the successful exploitation and integration of technology; customer acceptance of technology; success in obtaining issued patents; the potential development of competing technologies by market competitors; and availability of products, qualified personnel, manufacturing capacity and raw materials. In addition, actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth under the section entitled "Business Risks" in this document.

Additional information regarding Trican including Trican's most recent annual information form is available under Trican's profile on SEDAR (www.sedar.com).

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Trican Well Service Ltd. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these financial statements. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada and include amounts that are based on management's informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these financial statements. The Audit Committee meets periodically with external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the financial statements and annual report of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the financial statements for the periods ended December 31, 2010 and 2009. The Auditors' Report to the shareholders is presented herein.

***SIGNED "DALE M. DUSTERHOFT"***
**DALE M. DUSTERHOFT**
CHIEF EXECUTIVE OFFICER

***SIGNED "MICHAEL A. BALDWIN"***
**MICHAEL A. BALDWIN**
VICE PRESIDENT FINANCE AND CHIEF FINANCIAL OFFICER

February 28, 2011

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of Trican Well Service Ltd.

We have audited the accompanying consolidated financial statements of Trican Well Service Ltd., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of operations, other comprehensive income (loss), retained earnings and accumulated other comprehensive loss, and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Trican Well Service Ltd. as at December 31, 2010 and 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

***SIGNED "KPMG LLP"***
**KPMG LLP**
Calgary, Canada

February 28, 2011

## CONSOLIDATED BALANCE SHEETS

| (Stated in thousands of dollars) | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and short-term deposits | $ **81,058** | $ 26,089 |
| Accounts receivable | **364,986** | 181,483 |
| Income taxes recoverable | **6,024** | - |
| Inventory (note 5) | **106,719** | 91,249 |
| Prepaid expenses | **9,257** | 8,568 |
| | **568,044** | 307,389 |
| Property and equipment (note 6) | **697,601** | 534,696 |
| Intangible assets (note 7) | **20,816** | 28,082 |
| Future income tax assets (note 15) | **108,688** | 104,838 |
| Other assets (note 8) | **13,115** | 17,918 |
| Goodwill (note 9) | **42,458** | 36,916 |
| | $ **1,450,722** | $ 1,029,839 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Bank loans (note 10) | $ **-** | $ 27,997 |
| Accounts payable and accrued liabilities | **198,012** | 97,847 |
| Deferred consideration | **-** | 1,882 |
| Dividend payable | **7,232** | 6,282 |
| Current income taxes payable | **-** | 6,505 |
| Current portion of capital lease obligations | **1,544** | 804 |
| | **206,788** | 141,317 |
| Long-term debt (note 11) | **99,460** | 174,660 |
| Capital lease obligations | **2,603** | 1,619 |
| Future income tax liabilities (note 15) | **133,206** | 64,754 |
| Non-controlling interest (note 4) | **-** | 296 |
| Shareholders' equity | | |
| Share capital (note 12) | **486,594** | 246,854 |
| Contributed surplus | **37,864** | 28,458 |
| Retained earnings | **578,448** | 441,234 |
| Accumulated other comprehensive loss | **(94,241)** | (69,353) |
| | **1,008,665** | 647,193 |
| Subsequent events, contractual obligations, and contingencies (notes 11, 18 and 20) | $ **1,450,722** | $ 1,029,839 |

See accompanying notes to the consolidated financial statements.

***SIGNED "DALE M. DUSTERHOFT"***
**DALE M. DUSTERHOFT**
DIRECTOR

***SIGNED "KEVIN L. NUGENT"***
**KEVIN L. NUGENT**
DIRECTOR

## CONSOLIDATED STATEMENTS OF OPERATIONS

| (Stated in thousands, except per share amounts) | Year Ended Dec. 31, 2010 | Year Ended Dec. 31, 2009 |
|---|---|---|
| **Revenue** | **$ 1,478,293** | $ 811,488 |
| **Expenses** | | |
| Materials and operating | **1,078,377** | 695,413 |
| General and administrative | **69,502** | 45,865 |
| **Operating income** | **330,414** | 70,210 |
| Other asset impairment reversal (note 8) | **-** | (10,766) |
| Interest expense on long-term debt and bank loans | **9,159** | 10,389 |
| Depreciation and amortization | **110,795** | 96,805 |
| Foreign exchange loss | **4,074** | 5,882 |
| Other income | **(3,878)** | (2,244) |
| Income/(loss) before income taxes and non-controlling interest | **210,264** | (29,856) |
| Current income tax (recovery) / expense (note 15) | **(63)** | 23,132 |
| Future income tax expense / (recovery) (note 15) | **58,730** | (44,279) |
| Income/(loss) before non-controlling interest | **151,597** | (8,709) |
| Non-controlling interest | **(20)** | (196) |
| **Net income/(loss)** | **$ 151,617** | $ (8,513) |
| Income/(loss) per share | | |
| Basic | **$ 1.10** | $ (0.07) |
| Diluted | **$ 1.09** | $ (0.07) |
| Dividend per share | **$ 0.10** | $ 0.10 |
| Weighted average shares outstanding - basic | **137,400** | 125,616 |
| Weighted average shares outstanding - diluted | **138,571** | 125,616 |

## CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME/ (LOSS)

| (Stated in thousands of dollars) | 2010 | 2009 |
|---|---|---|
| **Net income / (loss)** | **$ 151,617** | $ (8,513) |
| Other comprehensive loss | | |
| Unrealized losses on translating financial statements of self-sustaining foreign operations | **(24,888)** | (60,677) |
| **Other comprehensive income/(loss)** | **$ 126,729** | $ (69,190) |

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

| (Stated in thousands of dollars) | 2010 | 2009 |
|---|---|---|
| Retained earnings, beginning of year | **$ 441,234** | $ 462,312 |
| Dividend | **(14,403)** | (12,565) |
| Net income / (loss) | **151,617** | (8,513) |
| **Retained earnings, end of year** | **$ 578,448** | $ 441,234 |
| Accumulated other comprehensive loss, beginning of year | **$ (69,353)** | $ (8,676) |
| Unrealized losses on translating financial statements of self-sustaining foreign operations | **(24,888)** | (60,677) |
| **Accumulated other comprehensive loss, end of year** | **$ (94,241)** | $ (69,353) |

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENTS

| (Stated in thousands of dollars) | Year Ended Ended Dec. 31, 2010 | Year Ended Ended Dec. 31, 2009 |
|---|---|---|
| Cash Provided By/ (Used In): | | |
| **Operations** | | |
| Net income / (loss) | **$ 151,617** | $ (8,513) |
| Charges to income not involving cash: | | |
| Depreciation and amortization | **110,795** | 96,805 |
| Future income tax expense / (recovery) | **58,730** | (44,279) |
| Non-controlling interest | **(20)** | (196) |
| Stock-based compensation | **11,660** | 9,874 |
| (Gain)/ loss on disposal of property and equipment | **(167)** | 930 |
| Gain on revaluation of deferred consideration | **(22)** | (95) |
| Unrealized foreign exchange (gain)/ loss | **(880)** | 3,587 |
| Recovery on other assets | **-** | (19,294) |
| Funds provided by operations | **331,713** | 38,819 |
| Net change in non-cash working capital from operations | **(139,257)** | 60,516 |
| | **192,456** | 99,335 |
| **Investing** | | |
| Purchase of property and equipment | **(278,802)** | (45,867) |
| Proceeds from the sale of property and equipment | **531** | 2,656 |
| Payments received on loan to an unrelated third party | **7,934** | 8,528 |
| Business acquisitions | **(5,818)** | (1,670) |
| Net change in non-cash working capital from investing activities | **18,705** | (1,490) |
| | **(257,450)** | (37,843) |
| **Financing** | | |
| Net proceeds from issuance of share capital | **230,167** | 497 |
| Repayment of bank loans | **(28,093)** | (28,342) |
| Repayment of long-term debt | **(68,799)** | (50,000) |
| Dividend paid | **(13,453)** | (12,560) |
| | **119,822** | (90,405) |
| **Effect of exchange rate changes on cash** | **141** | (1,279) |
| Increase/(decrease) in cash and short-term deposits | **54,969** | (30,192) |
| Cash and short-term deposits, beginning of period | **26,089** | 56,281 |
| Cash and short-term deposits, end of period | **$ 81,058** | $ 26,089 |
| Supplemental information | | |
| Income taxes paid | **6,442** | 29,637 |
| Interest paid | **9,161** | 18,018 |

See accompanying notes to the consolidated financial statements.

## Notes to Consolidated Financial Statements

**For the years ended December 31, 2010 and 2009**

### NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

**Nature of business**
Trican Well Service Ltd. (the "Company" or "Trican") is an oilfield services company incorporated under the laws of the province of Alberta. The Company provides a comprehensive array of specialized products, equipment, services and technology for use in the drilling, completion, stimulation and reworking of oil and gas wells in Canada, Russia, U.S., Kazakhstan, and Algeria.

**Basis of presentation**
The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles. Management is required to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

**Consolidation**
These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company balances and transactions have been eliminated on consolidation.

**Cash and short-term deposits**
The Company's short-term investments with original maturities of three months or less are considered to be cash equivalents and are recorded at cost, which approximates fair market value.

**Inventory**
Inventory is carried at the lower of cost, determined under the first-in, first-out method, and net realizable value.

**Property and equipment**
Property and equipment are stated at cost less accumulated depreciation. Major betterments are capitalized. Repairs and maintenance expenditures which do not extend the useful life of the property and equipment are expensed.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset as follows:

| | |
|---|---|
| Buildings and improvements | 20 years |
| Equipment | 3 to 10 years |
| Furniture and fixtures | 2 to 10 years |

Management bases the estimate of the useful life and salvage value of property and equipment on expected utilization, technological change and effectiveness of maintenance programs. Although management believes the estimated useful lives of the Company's property and equipment are reasonable, it is possible that changes in estimates could occur which may affect the expected useful lives and salvage values of the property and equipment.

**Impairment of Long-Lived Assets**
Long-lived assets include property and equipment and intangible assets. They are tested for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the assets exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Estimates of undiscounted future net cash flows are calculated using estimated future job count, sales prices, operating expenditures and other costs.

These estimates are subject to risk and uncertainties, and it is possible that changes in estimates could occur, which may impact the expected recoverability of the Company's assets.

To test for and measure impairment, assets are grouped at the lowest level for which identifiable cash flows are largely independent. The four lowest asset groupings for which identifiable cash flows are largely independent are Canadian Operations, Russian Operations, U.S. Operations and the corporate division.

**Goodwill**
Goodwill represents the excess of purchase price for business acquisitions over the fair value of the acquired net assets. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually.

The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and performance of the second step of the impairment test is unnecessary. The second step compares the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of the impairment loss, if any.

**Intangible Assets**
Non-compete agreements relate to the Company's acquisitions and are recorded at their estimated fair value on the acquisition date and amortized on a straight line basis over 8 years.

Customer relationships relate to the Company's acquisitions and are recorded at their estimated fair value on the acquisition date and amortized on a straight line basis over 5 years.

The "CBM Process" relates to an acquisition by the Company and was recorded at the estimated fair value on the acquisition date and amortized on a straight line basis over 10 years.

**Revenue recognition**
The Company's revenue is derived from the provisions of services which are generally sold based on fixed or agreed upon priced purchase orders or contracts with the customer. Service and other revenue is recognized when the services are provided and collectability is reasonably assured. Customer contract terms do not include provisions for significant post-service delivery obligations.

**Income taxes**
The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted tax rates. Future tax assets are recognized to the extent management determines it more likely than not that they will be realized.

The computation of the provision for income taxes involves tax interpretations, regulations and legislation that are continually changing. There are tax matters that have not yet been confirmed by taxation authorities; however, management believes the provision for income taxes is reasonable.

**Foreign currency translation**
For foreign entities whose functional currency is the Canadian dollar, the Company translates monetary assets and liabilities at year-end exchange rates, and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year. Gains or losses from changes in exchange rates are recognized in the Consolidated Statement of Operations in the year of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at year-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in the Consolidated Statements of Other Comprehensive Income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

Transactions of Canadian entities in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses

from changes in exchange rates are recognized in the Consolidated Statement of Operations in the year of occurrence. Advances made to foreign subsidiaries for which settlement is not planned or anticipated in the foreseeable future are considered part of the net investment in the foreign subsidiary. Accordingly, gains and losses from these advances are reported in the Consolidated Statements of Other Comprehensive Income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

**Stock-based compensation plans**
The Company has a stock option plan which is described in note 14. The Company accounts for stock options using the Black-Scholes option pricing model, whereby the fair value of stock options are determined on their grant date and recorded as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. When stock options are exercised, the proceeds together with the amount recorded as contributed surplus are recorded in share capital.

The Company has a deferred share unit plan ("DSU") which is described in note 14. The Company accrues a liability equal to the closing price of the Company's common shares on the balance sheet date for each unit issued under the plan.

The Company has a restricted share unit plan ("RSU") which is described in note 14. The fair value of the RSU's is expensed into income evenly over the same period that the units vest and at each balance sheet date between grant date and settlement, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period.

The Company has a performance share unit plan ("PSU") which is described in note 14. Management make an assessment for each grant of units on how likely and when the PSU's might vest and the fair value of the units are expensed over the period until it is estimated that the vesting conditions will be met.

**Earnings per share**
Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Under the treasury stock method, diluted earnings per share is calculated based on the weighted average number of shares issued and outstanding during the year, adjusted by the total of the additional common shares that would have been issued assuming exercise of all stock options with exercise prices at or below the average market price for the year, offset by the reduction in common shares that would be purchased with the exercise proceeds.

**Comparatives**
Certain comparative figures have been restated to conform to current year's presentation.

## NOTE 3 – ACCOUNTING STANDARDS PENDING ADOPTION

**International Financial Reporting Standards (IFRS)**
In February 2009, the Canadian Accounting Standards Board confirmed that effective January 1, 2011, all publicly accountable enterprises will be required to report under IFRS as issued by the International Accounting Standards Board (IASB). On January 1, 2011, these standards will apply to the Company.

## NOTE 4 – ACQUISITIONS

During the first quarter of 2009 and pursuant to an agreement dated March 2007, the Company paid $0.3 million of contingent consideration in connection with its acquisition of CBM Solutions Ltd. All the contingent consideration was recorded as goodwill. Contingent consideration may be paid for the calendar year ended 2011 based upon financial results for the year.

During the second quarter of 2010, pursuant to an agreement amended in March 2007, the Company increased its ownership interest in R-Can Services Limited by 0.6% to 100%. The Company paid $5.8 million for this acquisition, increasing goodwill by $5.5 million and reducing non controlling interest to nil.

## NOTE 5 – INVENTORY

| (Stated in thousands) | 2010 | 2009 |
|---|---|---|
| Product inventory | | |
| Chemicals and consumables | $ 53,409 | $ 43,292 |
| Coiled tubing | 12,860 | 14,847 |
| Parts | 40,450 | 33,110 |
| | $ 106,719 | $ 91,249 |

The total amount of inventories recognized as an expense during the year was $476.2 million (2009 – $289.7 million).

## NOTE 6 – PROPERTY AND EQUIPMENT

| (stated in thousands) | 2010 | 2009 |
|---|---|---|
| Property and Equipment: | | |
| Land | $ 21,396 | $ 16,929 |
| Buildings and improvements | 60,604 | 54,062 |
| Equipment | 958,844 | 744,937 |
| Furniture and fixtures | 30,956 | 26,620 |
| | $ 1,071,800 | $ 842,548 |
| Accumulated Depreciation: | | |
| Buildings and improvements | 15,620 | 12,025 |
| Equipment | 339,027 | 279,836 |
| Furniture and fixtures | 19,552 | 15,991 |
| | 374,199 | 307,852 |
| | $ 697,601 | $ 534,696 |

Included within equipment are assets held under capital lease with a gross value of $6.0 million (2009 - $3.0 million) and accumulated depreciation of $1.1 million (2009 - $0.2 million). Interest expense of $0.2 million (2009 - $0.1 million) relating to these capital leases has been charged to the Consolidated Statement of Operations in the year.

## NOTE 7 – INTANGIBLE ASSETS

| (Stated in thousands) | 2010 | 2009 |
|---|---|---|
| Non-compete agreements (accumulated amortization 2010 - $10,775, 2009 - $8,275) | $ 12,212 | $ 15,799 |
| Customer relationships (accumulated amortization 2010 - $9,866, 2009 - $7,478) | 3,289 | 6,118 |
| CBM Process (accumulated amortization 2010 - $3,187, 2009 - $2,338) | 5,315 | 6,165 |
| | $ 20,816 | $ 28,082 |

## NOTE 8 – LOAN TO AN UNRELATED THIRD PARTY AND OTHER ASSETS

At December 31, 2010, the Company had a U.S.$19.2 million secured, interest bearing first mortgage real estate loan (the "loan") to an unrelated third party located in the U.S. (2009 – U.S.$ 19.3 million). During the year, payments related to interest and principle of $7.9 million were received on the loan.

The non-current portion of the loan of U.S. $11.8 million (2009 – U.S. $11.9 million) has been included in other assets on the balance sheet. The current portion of the loan of U.S.$7.4 million (2009 – U.S. $7.4 million) has been included in accounts receivable on the balance sheet.

During the year ended December 31, 2008, an impairment provision of U.S $15.1 million was recorded against the loan and the carrying value was reduced to U.S.$9.0 million. At December 31, 2009, the remaining impairment provision of U.S.$10.3 million was reversed due to a change in management's assessment of the recoverability of the balance.

## NOTE 9 – GOODWILL

| (Stated in thousands) | 2010 | 2009 |
|---|---|---|
| Balance at the beginning of the year | $ 36,916 | $ 35,556 |
| Acquisition of CBM Solutions | - | 254 |
| Acquisition of R-Can | 5,542 | 1,106 |
| Balance at the end of the year | $ 42,458 | $ 36,916 |

See note 4 for additional information on the acquisitions made during 2010.

## NOTE 10 – BANK LOANS

| (Stated in thousands) | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Demand revolving facilities: | | |
| U.S.$20 million , held by Russian subsidiary (Canadian equivalent of $19.9 million) | $ - | $ - |
| U.S.$30 million, held by U.S subsidiary (facility now closed) | - | 27,997 |
| | $ - | $ 27,997 |

The Company's Russian subsidiary has a U.S.$20 million demand revolving facility with a large international bank. This facility is unsecured, bears interest at LIBOR plus a premium, as determined by the bank, plus 2.75% and has been guaranteed by the Company. At December 31, 2010 and 2009, there was no amount owing on this facility.

## NOTE 11 – LONG-TERM DEBT

| (Stated in thousands) | 2010 | 2009 |
|---|---|---|
| Notes payable | $ 99,460 | $ 104,660 |
| Equipment and acquisition loan | - | 70,000 |
| | $ 99,460 | $ 174,660 |

**Notes Payable**

On June 21, 2007, the Company entered into an agreement with institutional investors in the U.S. providing for the issuance, by way of private placement of U.S. $100 million of Senior Unsecured Notes (the "Notes") in two tranches:

- U.S. $25 Million Series A Senior Notes maturing June 22, 2012, bearing interest at a fixed rate of 6.02% payable semi-annually on June 22 and December 22; and
- U.S. $75 Million Series B Senior Notes maturing June 22, 2014, bearing interest at a fixed rate of 6.10% payable semi-annually on June 22 and December 22.

The Notes require the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement. At December 31, 2010, the Company was in compliance with these covenants.

During 2010, the Company entered into a syndicated CAD $250 million three year extendible Revolving Credit Facility (the "Facility"). The Facility is unsecured and bears interest at Canadian prime rate, U.S. prime rate, Banker's Acceptance rate or at LIBOR plus 150 to 400 basis points, dependent on certain financial ratios of

the Company. The Facility requires the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement. At December 31, 2010, there was no amount owing on the Facility and the Company was in compliance with the covenants. The Facility replaced all existing bank loan and long-term debt facilities, with the exception of the U.S.$20 million bank loan held by the Company's Russian subsidiary and the notes payable.

Subsequent to year-end, the Company replaced the Facility with a new syndicated CAD $250 million three year extendible Revolving Credit Facility (the "New Facility"). The New Facility is unsecured and bears interest at Canadian prime rate, U.S. prime rate, Banker's Acceptance rate or at LIBOR plus 125 to 375 basis points, dependent on certain financial ratios of the Company. The New Facility requires the Company to comply with certain financial and non-financial covenants that are typical for this type of arrangement.

## NOTE 12 - SHARE CAPITAL

Authorized:
The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series.

**Issued and Outstanding - Common Shares:**

| **(stated in thousands, except share amounts)** | Number of Shares | Amount |
|---|---|---|
| Balance, December 31, 2008 | 125,562,767 | $ 246,357 |
| Exercise of stock options | 25,050 | 61 |
| Reclassification from contributed surplus on exercise of options | - | 84 |
| Issuance out of treasury for CBM deferred consideration | 50,852 | 352 |
| Balance, December 31, 2009 | 125,638,669 | $ 246,854 |
| **Exercise of stock options** | 1,248,566 | 9,958 |
| **Fair value adjustment of stock options previously exercised** | - | 4,054 |
| **Reclassification from contributed surplus on exercise of options** | - | 2,254 |
| **Issuance out of treasury for CBM deferred consideration** | 50,848 | 693 |
| **Issuance of shares (net of issuance costs and future income taxes)** | 17,698,500 | 222,781 |
| **Balance, December 31, 2010** | 144,636,583 | $ 486,594 |

## NOTE 13 – PER SHARE AMOUNTS

**(Stated in thousands, except share and per share amounts)**

| **Basic Income/(loss) Per Share** | **2010** | 2009 |
|---|---|---|
| Net income/(loss) available to common shareholders | **$ 151,617** | $ (8,513) |
| Weighted average number of common shares | **137,400,019** | 125,615,955 |
| Basic income/(loss) per share | **$ 1.10** | $ (0.07) |

| **Diluted Income/(loss) Per Share** | **2010** | 2009 |
|---|---|---|
| Net income/(loss) available to common shareholders | **$ 151,617** | $ (8,513) |
| Weighted average number of common shares | **137,400,019** | 125,615,955 |
| Diluted effect of stock options | **1,171,371** | - |
| Diluted weighted average number of common shares | **138,571,390** | 125,615,955 |
| Diluted income/(loss) per share | **$ 1.09** | $ (0.07) |

## NOTE 14 – STOCK-BASED COMPENSATION

The Company has four stock-based compensation plans which are described below.

**Incentive stock option plan:**
Options may be granted at the discretion of the Board of Directors and all officers and employees of the Company are eligible for participation in the Plan. The option price equals the weighted average closing price of the Company's shares on the Toronto Stock Exchange for the five trading days preceding the date of grant. Options granted prior to 2004 vest equally over a period of four years commencing on the first anniversary of the date of grant, and expire on the fifth or tenth anniversary of the date of grant.

In 2004, the Company prospectively revised the stock option plan so that one-third of new options issued vest on each of the first and second anniversary dates, and the remaining third vest ten months subsequent to the second anniversary date. The expiry dates of these options ranges from three to five years from the date of grant. In 2010, the Company prospectively revised the stock option plan so that one-third of new options issued vest on each of the first, second and third anniversary dates with an expiry date of 5 years from the date of the grant.

The compensation expense that has been recognized in net income for the year is $11.7 million (2009 - $9.9 million). The corresponding amount has been recognized in contributed surplus. The weighted average grant date fair value of options granted during 2010 has been estimated at $5.46 per option (2009 - $2.53) using the Black-Scholes option pricing model. The Company has applied the following assumptions in determining the fair value of options on the date of grant:

| | **2010** | 2009 |
|---|---|---|
| Expiration period (years) | **5.0** | 3.0 |
| Expected life (years) | **2.7** | 2.6 |
| Volatility | **60%** | 55% |
| Risk-free interest rate | **2.0%** | 1.5% |
| Expected dividend | **$ 0.10** | $ 0.10 |

The Company has reserved 14,463,658 common shares as at December 31, 2010 (December 31, 2009 – 12,563,867) for issuance under a stock option plan for officers and employees. The maximum number of options permitted to be outstanding at any point in time is limited to 10% of the Common Shares then outstanding. As of December 31, 2010, 6,700,864 options (December 31, 2009– 6,163,159) were outstanding at prices ranging from $1.13 - $25.67 per share with expiry dates ranging from 2011 to 2015.

The following table provides a summary of the status of the Company's stock option plan and changes during the years ending December 31:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Options** | **Weighted Average Exercise Price** | Options | Weighted Average Exercise Price |
| Outstanding at the beginning of year | **6,163,159** | **$ 14.73** | 9,303,132 | $ 17.67 |
| Granted | **3,979,500** | **15.06** | 84,000 | 7.29 |
| Exercised | **(1,248,566)** | **7.98** | (25,050) | 2.44 |
| Forfeited | **(448,295)** | **16.63** | (480,067) | 18.04 |
| Expired | **(1,744,934)** | **20.53** | (2,718,856) | 24.09 |
| Outstanding at the end of year | **6,700,864** | **14.55** | 6,163,159 | 14.73 |
| Exercisable at end of year | **1,967,883** | **$ 12.92** | 3,619,876 | $ 12.91 |

The following table summarizes information about stock options outstanding at December 31, 2010:

| Range of Exercise Prices | | | Options Outstanding Number Outstanding | Weighted Average Remaining Life | Weighted Average Exercise Price | Options Exercisable Number Exercisable | Weighted Average Exercisable Price |
|---|---|---|---|---|---|---|---|
| $ 1.13 | to | $ 2.50 | 70,000 | 0.91 | 2.09 | 70,000 | 2.09 |
| $ 2.51 | to | $ 3.75 | 451,800 | 1.25 | 2.91 | 451,800 | 2.91 |
| $ 3.76 | to | $ 8.50 | 59,332 | 1.12 | 6.73 | 14,167 | 7.31 |
| $ 8.51 | to | $12.75 | 296,333 | 3.02 | 11.27 | 68,001 | 9.50 |
| $12.76 | to | $19.15 | 5,391,399 | 3.00 | 15.48 | 1,176,242 | 16.37 |
| $19.16 | to | $25.67 | 432,000 | 2.02 | 20.49 | 187,673 | 21.12 |
| $ 1.13 | to | $25.67 | 6,700,864 | 2.78 | $ 14.55 | 1,967,883 | $ 12.92 |

**Deferred share unit plan:**
In 2004, the Company implemented a deferred share unit ("DSU") plan for outside directors. Under the terms of the plan, DSU's awarded will vest immediately and will be settled with cash in the amount equal to the closing price of the Company's common shares on the date the director specifies upon tendering their resignation from the Board, which in any event must be after the date on which the notice of redemption is filed with the Company and within the period from the Director's termination date to December 15 of the first calendar year commencing after the Director's termination date. The Company has recorded a $1.9 million (2009 - $2.0 million) expense in the year relating to DSU's and there are 215,779 (2009 – 204,330) DSU's outstanding at year end. The DSU liability at December 31, 2010 is $4.3 million (2009 - $2.9 million) and has been included in accounts payable and accrued liabilities.

**Restricted share unit plan:**
During the first quarter of 2010, the Company implemented a restricted share unit ("RSU") plan for employees. Under the terms of the plan, the RSU's awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in cash in the amount equal to the weighted volume average trading price for the twenty trading days preceding the particular vesting date of the award. The fair value of the RSU's is expensed into income evenly over the same period that the units vest and each month the liability is marked to the weighted volume average trading price for the twenty days preceding the month end. All officers and employees of the Company are eligible for participation in the plan. For the year ended December 31, 2010, the Company has recorded a $5.0 million expense and there are 501,300 RSU's outstanding at year end. The RSU liability at December 31, 2010 is $5.0 million and has been included in accounts payable and accrued liabilities.

**Performance share unit plan:**
During the first quarter of 2010, the Company implemented a performance share unit ("PSU") plan for Executive Officers of the Company. Under the terms of the plan, the PSU's vest when the Company meets a certain financial target and expire on a date no later than December 31 of the third calendar year following the calendar year in which the grant occurs. The performance share units will be settled in cash in the amount equal to the weighted volume average trading price for the five trading days preceding the particular vesting date of the Common Shares of the Company. Management has made an assessment on how likely and when the current PSU's might vest and currently the fair value of the units are being expensed over the period until it is estimated that the vesting conditions will be met. For the year ended December 31, 2010, the Company has recorded a $4.1 million expense and there are 198,640 PSU's outstanding at year end. The PSU liability at December 31, 2010 is $4.1 million and has been included in accounts payable and accrued liabilities.

## NOTE 15 - INCOME TAXES

| (Stated in thousands) | | 2010 | | 2009 |
|---|---|---|---|---|
| Current income tax expense (recovery) | $ | (63) | $ | 23,132 |
| Future income tax expense (recovery) | | 58,730 | | (44,279) |
| | $ | 58,667 | $ | (21,147) |

The geographic income/(loss) before income taxes and non-controlling interest for the years ended December 31, are as follows:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Canada | $ | **196,732** | $ | 6,316 |
| Foreign | | **13,532** | | (36,172) |
| | $ | **210,264** | $ | (29,856) |

The net income tax provision differs from that expected by applying the combined Canadian federal and provincial income tax rate of 28.21% (2009 – 29.23%) to income (loss) before income taxes for the following reasons:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Expected combined federal and provincial income tax | $ | **59,315** | $ | (8,720) |
| Statutory and other rate differences | | **(2,700)** | | (10,958) |
| Non-deductible expenses | | **5,700** | | 2,446 |
| Translation of foreign subsidiaries | | **314** | | (1,115) |
| Changes to future income tax rates | | **(4,448)** | | (3,090) |
| Capital and other foreign tax | | **195** | | 50 |
| Other | | **291** | | 240 |
| | $ | **58,667** | $ | (21,147) |

The components of the future income tax asset and liability as at December 31 are as follows:

| | | 2010 | | 2009 |
|---|---|---|---|---|
| Future income tax assets: | | | | |
| Goodwill | $ | **43,337** | $ | 48,305 |
| Non-capital loss carry forwards | | **50,089** | | 44,001 |
| Deferred interest expense | | **9,399** | | 7,580 |
| Other | | **5,863** | | 4,952 |
| | $ | **108,688** | $ | 104,838 |
| Future income tax liabilities: | | | | |
| Property, equipment and other assets | $ | **63,099** | $ | 51,354 |
| Deferred income | | **66,558** | | 10,860 |
| Other | | **3,549** | | 2,540 |
| | $ | **133,206** | $ | 64,754 |

Included in the above tax pools are $128.4 million (2009- $110.1 million) related to non-capital losses available for carry forward to reduce taxable income in future years. These losses expire between 2026 and 2030.

## NOTE 16 - FINANCIAL INSTRUMENTS

***Fair values of financial assets and liabilities***

The fair values of cash and short-term deposits, accounts receivable, accounts payable, dividend payable and accrued liabilities included in the consolidated balance sheets, approximates their carrying amount due to the short-term maturity of these instruments.

Notes payable, including the current portion, have a fair value of approximately $105.8 million as at December 31, 2010 (December 31, 2009 - $106.4 million). The bank loans including the equipment and acquisition loan

facility approximate their carrying amount due to the variable interest rates applied to these loans and credit spreads on the facilities approximating market rates. The fair value of the loan to an unrelated third party (described in note 8) has a fair value of $23.8 million at December 31, 2010 (December 31, 2009 - $24.5 million).

***Market risk***

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market rates and is comprised of the following:

*Interest rate risk*

The Company partially mitigates its exposure to interest rate changes by maintaining a mix of both fixed and floating rate debt.

An increase or decrease in interest expense for each one percent change in interest rates on floating rate debt would have amounted to $0.4 million (2009 - $1.0 million) for the year ended December 31, 2010 based on the average debt balances for the year.

*Foreign exchange rate risk*

As the Company operates primarily in North America and Russia, fluctuations in the exchange rate between the U.S. dollar/Canadian dollar and Russian ruble/Canadian dollar can have a significant effect on the operating results and the fair value or future cash flows of the Company's financial assets and liabilities.

Canadian entities are exposed to currency risk on foreign currency denominated financial assets and liabilities with adjustments recognized as foreign exchange gains and/or losses in the Consolidated Statements of Operations.

Foreign entities with a domestic functional currency expose the Company to currency risk on the translation of these entities' financial assets and liabilities to Canadian dollars for consolidation. For instance, the operations in Russia have a ruble functional currency, and adjustments arising when translating this foreign entity into Canadian dollars are reflected in the Consolidated Statements of Other Comprehensive Income as unrealized gains or losses on translating financial statements of self-sustaining foreign operations.

Foreign entities are exposed to currency risk on financial assets and liabilities denominated in currencies other than their functional currency with adjustments recognized in the Consolidated Statements of Operations. For instance, the operations in Russia where the functional currency is the ruble will incur foreign exchange gains and/or losses on financial assets and liabilities denominated in currencies other than the ruble.

As at and for the year ending December 31, 2010, the Company does not have an active hedging program. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in foreign currency and foreign currency rates on an on-going basis. Exposures to the U.S. dollar and Russian ruble are mitigated by on-going operations within foreign entities as assets, liabilities, revenue and expenses are denominated primarily in local currencies. The Company also mitigates exposure to fluctuations in the U.S. dollar by maintaining a mix of both Canadian and U.S. dollar debt.

For the year ended December 31, 2010, fluctuations in the value of foreign currencies would have had the following impact on net income and other comprehensive income:

| (stated in thousands of dollars) | Impact to Net Income | Impact to Other Comprehensive Income |
|---|---|---|
| 1% increase in the value of the U.S. dollar | $ (687) | $ 1,404 |
| 1% decrease in the value of the U.S. dollar | 687 | (1,404) |
| 1% increase in the value of the Russian ruble | 184 | 1,599 |
| 1% decrease in the value of the Russian ruble | (184) | (1,599) |

***Credit risk***

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations and as a result, create a financial loss for the Company.

Customer

The Company's accounts receivables are predominantly with customers who explore for and develop natural gas and petroleum reserves and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accordingly, the Company views the credit risks on these amounts as normal for the industry. The carrying amount of accounts receivable represents the maximum credit exposure on this balance.

Payment terms with customers vary by region and contract; however, standard payment terms are 30 days from invoice date. Historically, industry practice allows for payment up to 70 days from invoice date. The Company considers its accounts receivable at December 31, 2010 excluding doubtful accounts to be aged as follows:

| (Stated in thousands) | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Current (0 - 30 days from invoice date) | **$ 185,201** | $ 106,413 |
| 1 - 30 days past due | **116,394** | 49,106 |
| 31 - 60 days past due | **33,643** | 13,090 |
| Greater than 60 days past due | **34,336** | 18,031 |
| **Total** | **$ 369,574** | $ 186,640 |
| **Provision for doubtful accounts** | **$ 4,588** | $ 5,157 |

The Company's allowance for doubtful accounts decreased $0.6 million compared to December 31, 2009. The Company's objectives, processes and policies for managing credit risk have not changed from the previous year.

Counterparties

Counterparties to financial instruments expose the Company to credit losses in the event of non-performance. Counterparties to cash transactions are limited to high credit quality financial institutions. The Company does not anticipate non-performance that would materially impact the Company's financial statements.

***Liquidity risk***

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations. The Company manages its liquidity risk through cash and debt management, which includes monitoring forecasts of the Company's cash and cash equivalents and borrowing facilities on the basis of projected cash flow. This is generally carried out at the geographic region level in accordance with practices and policies established by the Company.

In managing liquidity risk, the Company has access to a wide range of funding at competitive rates through capital markets and banks. As at December 31, 2010, the Company had available unused committed bank credit facilities in the amount of $269.9 million (2009 - $143.8 million) plus cash and accounts receivable of $81.1 million (2009 - $26.1 million) and $365.0 million (2009 - $181.5 million) respectively, for a total of $716.0 million (2009 - $351.4 million) available to fund the cash outflows relating to its financial liabilities. The Company believes it has sufficient funding through the use of these sources to meet foreseeable borrowing requirements.

The timing of cash outflows relating to financial liabilities are outlined in the table below:

| (Stated in thousands) | Less than 1 year | 1 to less than 3 years | 3 to less than 5 years | Total |
|---|---|---|---|---|
| Accounts payable | 198,012 | - | - | **198,012** |
| Dividend payable | 7,232 | - | - | **7,232** |
| Long-term debt | - | 24,865 | 74,595 | **99,460** |
| Interest on long-term debt | 6,080 | 9,903 | 2,288 | **18,271** |
| Capital lease obligations (including interest) | 1,544 | 2,706 | 496 | **4,746** |
| | $ 212,868 | $ 37,474 | $ 77,379 | **$ 327,721** |

## NOTE 17 – CAPITAL MANAGEMENT

The Company's strategy is to carry a capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Company seeks to maintain a balance between the level of long-term debt and shareholders' equity to ensure access to capital markets to fund growth and working capital given the cyclical nature of the oilfield services sector. On an historical basis, the Company maintained a conservative ratio of long-term debt to total capitalization. The Company may occasionally need to increase these levels to facilitate acquisition or expansionary activities.

As at December 31, 2010 and December 31, 2009 these ratios were as follows:

| (Stated in thousands, except ratios) | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Long-term debt | **$ 99,460** | $ 174,660 |
| Shareholders' equity | **1,008,665** | 647,193 |
| Total capitalization | **$ 1,108,125** | $ 821,853 |
| Long-term debt to Total capitalization | **0.09** | 0.21 |

The Company is subject to various financial and non financial covenants associated with existing debt facilities. The covenants are monitored on a regular basis and controls are in place to maintain compliance with these covenants. The Company complied with all financial covenants for the years ended December 31, 2010 and December 31, 2009.

## NOTE 18 – CONTRACTUAL OBLIGATIONS

The Company has commitments for operating lease agreements, primarily for vehicles and office space, in the aggregate amount of $36.9 million (2009 - $17.7 million). The Company also has commitments for capital lease agreements for equipment in the aggregate amount of $4.7 million including interest (2009- $2.8 million). Payments over the next five years are as follows:

| (Stated in thousands) | Payments due by period | | | | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** | **2015** |
| Operating leases | 9,137 | 8,380 | 7,979 | 6,224 | 5,152 |
| Capital leases | 1,544 | 1,544 | 1,162 | 496 | - |

As at December 31, 2010, the Company has commitments totaling approximately $97.5 million (2009 - $4.4 million) relating to the construction of fixed assets in 2011.

## NOTE 19 – SEGMENTED INFORMATION

The Company operates in three main geographic regions: Canada, Russia (which includes Kazakhstan and Algeria), and the U.S. Each geographic region has a General Manager that is responsible for the operation and strategy of their region's business. Personnel working within the particular geographic region report to the General Manager; the General Manager reports to the corporate executive.

The Company provides a comprehensive array of specialized products, equipment, services and technology to customers through three operating divisions:

- Canadian Operations provides cementing, fracturing, coiled tubing, nitrogen, geological, and acidizing services which are performed on new and existing oil and gas wells, and industrial services.
- Russian Operations provides cementing, fracturing, deep coiled tubing, nitrogen and acidizing services which are performed on new and existing oil and gas wells.
- United States Operations provides fracturing, cementing, nitrogen and acidizing services which are performed on new and existing oil and gas wells.

Corporate Division expenses consist of salary expenses, stock-based compensation and office costs related to corporate employees, as well as public company costs.

| (Stated in thousands) | Canadian Operations | United States Operations | Russian Operations | Corporate | Total |
|---|---|---|---|---|---|
| **Year ended December 31, 2010** | | | | | |
| **Revenue** | **$ 858,201** | **$ 361,055** | **$ 259,037** | **$ -** | **$ 1,478,293** |
| **Operating income/(loss)** | **279,728** | **69,757** | **23,708** | **(42,779)** | **330,414** |
| **Interest expense** | **-** | **-** | **-** | **9,159** | **9,159** |
| **Depreciation and amortization** | **45,551** | **38,210** | **26,840** | **194** | **110,795** |
| **Assets** | **620,469** | **468,387** | **259,738** | **102,128** | **1,450,722** |
| **Goodwill** | **22,690** | **-** | **19,768** | **-** | **42,458** |
| **Property and equipment** | **364,903** | **237,364** | **92,387** | **2,947** | **697,601** |
| **Capital expenditures** | **135,103** | **125,741** | **16,234** | **1,724** | **278,802** |
| **Goodwill expenditures** | **-** | **-** | **5,542** | **-** | **5,542** |
| Year ended December 31, 2009 | | | | | |
| Revenue | $ 415,630 | $ 157,366 | $ 238,492 | $ - | $ 811,488 |
| Operating income/(loss) | 61,565 | (5,074) | 37,695 | (23,976) | 70,210 |
| Interest expense | - | - | - | 10,389 | 10,389 |
| Depreciation and amortization | 37,292 | 35,559 | 23,917 | 37 | 96,805 |
| Assets | 441,950 | 297,463 | 224,995 | 65,431 | 1,029,839 |
| Goodwill | 22,690 | - | 14,226 | - | 36,916 |
| Property and equipment | 279,992 | 148,542 | 105,027 | 1,135 | 534,696 |
| Capital expenditures | 14,356 | 8,245 | 22,163 | 1,103 | 45,867 |
| Goodwill expenditures | 254 | - | 1,106 | - | 1,360 |

The Corporate division incurred an operating loss of $42.8 million (2009 - $24.0 million) of which 93% (2009 – 96%) was incurred in Canada as this is where corporate head office is located.

Revenue from two external customers for the year ended December 31, 2010 amount individually to greater than 10% of the Company's total revenue. One of the customer's revenue is exclusively in the U.S. and totals $237.9 million (2009 - $113.7 million). The other customer's revenue is mixed between Canada and the U.S. and totals $160.7 million (2009 - $80.7 million).

## NOTE 20 – CONTINGENCIES

From time to time, Trican is subject to costs and other effects of legal and administrative proceedings, settlements, investigations, claims and actions. Trican may in the future be involved in disputes with other parties which could result in litigation or other actions, proceedings or related matters. The results of litigation or any other proceedings or related matters cannot be predicted with certainty. Amounts involved in such matters are not reasonably determinable due to uncertainty as to the final outcome. Trican's assessment of the likely outcome of these matters is based on its judgment of a number of factors including experience with similar matters, past history, precedents, relevant financial and other evidence and facts specific to the matter. Notwithstanding the uncertainty as to the final outcome, based upon the information currently available to it, Trican does not currently believe these matters in aggregate will have a material adverse effect on its consolidated financial position or results of operations.

The tax regulations and legislation in the various jurisdictions that the Company operates in are continually changing. As a result, there are usually some tax matters under review. Management believes that it has adequately met and provided for taxes based on the Company's interpretation of the relevant tax legislation and regulations.

## CORPORATE INFORMATION

### *Board Of Directors*

**Kenneth M. Bagan (1) (2)**
President
Enerchem International Inc.

**G. Allen Brooks (1) (3) (5)**
President
G. Allen Brooks, LLC

**Murray L. Cobbe**
Executive Chairman

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft (4)**
President and Chief Operating Officer

**Kevin L. Nugent (1)**
President
Livingstone Energy Management Ltd.

**Douglas F. Robinson (2) (3) (4)**
Independent Businessman

**Gary L. Warren (2) (3) (4)**
Independent Businessman

### *Officers*

**Dale M. Dusterhoft**
Chief Executive Officer

**Donald R. Luft**
President and Chief Operating Officer

**Michael G. Kelly, C.A.**
Senior Vice President,
Russia and the Middle East

**David L. Charlton**
Vice President, Sales and Marketing

**Michael A. Baldwin, C.A.**
Vice President, Finance
and Chief Financial Officer

**Bonita M. Croft**
Vice President, Legal, General Counsel
and Corporate Secretary

**Rob J. Cox**
Vice President, Canadian
Geographic Region

**Steve J. Redmond**
Vice President, Human Resources and
Health, Safety and Environment

### *Corporate Office*

Trican Well Service Ltd.
2900, 645 – 7th Avenue S.W.
Calgary, Alberta T2P 4G8
Telephone: (403) 266-0202
Facsimile: (403) 237-7716
Website: www.trican.ca

### *Auditors*

KPMG LLP, Chartered Accountants
Calgary, Alberta

### *Bankers*

HSBC Bank Canada
Calgary, AB

### *Registrar And Transfer Agent*

Computershare Trust Company of Canada
Calgary, Alberta

### *Stock Exchange Listing*

The Toronto Stock Exchange
Trading Symbol: TCW

### *Investor Relations Information*

Requests for information should
be directed to:

**Dale M. Dusterhoft**
Chief Executive Officer

**Michael A. Baldwin, C.A.**
Vice President, Finance
and Chief Financial Officer

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance Committee
(4) Member of the Health, Safety and Environment Committee
(5) Lead Director